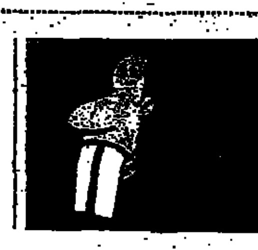
FINANCIAL TIMES

World Business Newspaper http://www.FT.com

FRIDAY AUGUST 7 1998

FT Weekend tomorrow
Going to jail – the story from the inside



Dental treatments
Re-grow your own teeth and gums
Health, Page 7

Gluck at Drottningholm
The challenge of restaging 17th century music drama
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Colombia
Can Pastrana end 35 years of guerilla war?
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WORLD NEWS

UNHCR 'may have paid for ammunition flights in Zaire'

The United Nations High Commissioner for Refugees may have financed two supply flights of ammunition to soldiers of the former Zaire as the country collapsed into civil war in 1996, a report in London-based newsletter Africa Confidential says. The soldiers later tortured and killed UNHCR staff in the region, and massacred refugees. **Page 16; Congo rebellion, Page 5**

Arafat faces rebellion
Prominent Palestinian politician Hanan Ashrawi resigned from the government, signalling the first open signs of rebellion against Yassir Arafat, president of the Palestinian Authority. **Page 5**

Serbian forces ignore warnings
Serbian forces attacked pockets of resistance of ethnic Albanian rebels in Kosovo province, despite US warnings of military intervention. **Page 2**

France reconsiders duty free
France is considering proposals that duty-free privileges in Europe should be phased out gradually, rather than being ended abruptly next July as approved by the European Union. **Page 2**

Lawyers seek Leeson's release
Lawyers began an attempt to bring imprisoned rogue trader Nick Leeson back to Britain from Singapore after it was disclosed he had cancer. **Page 6**

Russian strike threatened
Russian trade unions threatened a nationwide strike from October to protest against unpaid wages and the International Monetary Fund's austerity programme. **Page 2**

Floods hit South Korea
Torrential rains pounded South Korea, raising to 206 the number of people killed or missing in mudslides and floods. In China, summer floods have killed more than 2,000 people.

Fire emergency in Greece
A state of emergency was declared in the greater Athens area as forest fires engulfed homes and killed at least one person. The 2,000-year-old monuments of Olympia were under threat.

Indians in nuclear protest
Thousands of Indians marched in New Delhi and Calcutta against nuclear tests by India and Pakistan. **Page 4**

Turkey has new military chief
General Huseyin Kivrikogl is to succeed outgoing Turkish chief of staff General Ismail Hakki Karadayi, who spearheaded an anti-Islamist campaign. **Page 2**

Olympic swimmer banned
Irish swimmer Michelle De Bruin, winner of three gold medals at the 1996 Olympics, was banned for four years for allegedly tampering with a urine sample.

Bulgarian ex-dictator dies
Todor Zhivkov, Bulgaria's long-time Communist dictator and the last surviving Soviet-bloc Stalinist leader, died in a Sofia hospital at the age of 86. **Obituary, Page 2**

'King Arthur' slate found
A slate bearing a 1,400 year old inscription similar to the name Arthur was found at Tintagel Castle in south-west England, mythical birthplace of the legendary king. Archaeologists believe it is evidence of royal occupation during the Dark Ages.

BUSINESS NEWS

Shell hurt by low oil price and Asia crisis fallout

Royal Dutch/Shell reported a 17 per cent drop in second quarter net profits to $1.54bn, as low crude prices and the fallout from the Asian economic crisis undermined earnings at the Anglo-Dutch oil and gas group. **Page 17**

Daimler-Benz and Chrysler, the carmakers planning the world's biggest industrial merger, should see a sharp rise in profits and sales through buoyant demand and restructuring, according to formal documents sent to Chrysler shareholders. **Page 17**

United HealthCare, one of the largest health management organisations in the US, announced it was taking a $900m charge to cover a sweeping restructuring and withdrawing from several businesses where it did not believe it could make a profit. **Page 17; Lex, Page 16**

The Bank's of England's monetary policy committee announced it would leave interest rates at 7.5 per cent, a decision that was welcomed by business leaders. **Page 16**

WorldCom, the US telecoms group that is merging with MCI Communications in a $37bn all-share transaction, launched a $6.1bn corporate bond issue as part of the refinancing of its debt. **Page 17**

Saab, the loss-making Swedish carmaker, is expected to announce it will return to profit later this year, following a solid rise in sales and reduced marketing costs. **Page 18**

Kirk Kerkorian, the Las Vegas based financier who controls the Hollywood's Metro-Goldwyn-Mayer, effectively put it up for sale. **Page 17; Lex, Page 16**

UBS, Europe's biggest bank, could lose its triple A credit rating if it does not settle the US law suits related to Holocaust-era issues, Moody's, the US credit rating agency, indicated. **Page 2**

A Russian tax official said the State Tax Service would seize assets of three large oil companies, Sidanco, Onako and Eastern Oil, in order to force them to pay tax debts that total more than 1bn roubles ($160m). **Page 2**

Wolters Kluwer, the Dutch publisher, said first-half net profits climbed 17.6 per cent to Fl 287m ($144m) on sales of Fl 2.81bn, which it attributed to recent expansion and better-than-expected sales growth. **Page 18**

Schering, the German pharmaceuticals company, saw its shares slide 6 per cent after disappointing first-half results. Group profits were up only marginally, from DM285m to DM307m ($170m). **Page 18**

Securitas of Sweden, Europe's largest security services group, said rapidly rising demand for alarm systems and restructuring in its German and UK operations fuelled a 27 per cent increase in first-half profits. **Page 18**

Iraq has violated accord on arms inspection, Annan says

By Laura Silber at the United Nations in New York and Roula Khalaf in London

Kofi Annan, the United Nations secretary-general, said yesterday that Iraq had violated UN Security Council resolutions and the accord he struck last February in Baghdad with Saddam Hussein, the Iraqi president.

In that accord, Mr Saddam pledged full co-operation with UN weapons inspectors, but on Wednesday he announced a freeze on co-operation until the weapons inspection mission was radically restructured.

"We have been seeking full compliance with all Security Council resolutions, including the MOU [Memorandum of Understanding], and what has happened is not in conformity with that," Mr Annan said ahead of a Security Council briefing by Richard Butler, chief of the UN weapons inspection mission.

In London, Robin Cook, British foreign secretary, claimed Iraq was reneging on agreements made with the UN and said its threat to suspend co-operation with the inspectors would only delay the moment when the Security Council could consider the removal of sanctions. He added: "It was a transparent attempt to raise the stakes before Mr Butler reported to the UN."

Security Council ambassadors yesterday were meeting to consider a response to the latest Iraqi move against the UN mission to dismantle Iraq's arsenal of deadly weapons.

Bill Richardson, US ambassador to the UN, accused the Iraqis of "repudiating their agreement" with Mr Annan.

"Once again the Security Council is going to have to respond in a very strong unmistakable way ... We believe this action is extremely serious. It's once again showing the typical Iraq. There was this talk that Iraq had moderated. Once again they're up to their old tricks," he said.

Mr Butler said he had told Tariq Aziz, Iraq's deputy prime minister, he could not do "disarmament by declaration but by verification". He said Mr Aziz had been given the opportunity to meet again, but had refused, unless the weapons team was prepared to report that Iraq had complied with UN demands. Such compliance is a condition for lifting the oil embargo and other UN sanctions imposed after Iraq invaded Kuwait in August 1990.

According to diplomats, Mr Richardson yesterday attacked the Russians at the council meeting for trying to undermine Mr Butler by blaming him for the breakdown in talks with the Iraqis earlier this week. They hinted he should be sacked.

The Security Council has been divided on Iraq, with Russia, France and China, three permanent council members, calling for a lifting of the sanctions, while the US and Britain, the other two, are seeking a tougher line.

Toyota's Okuda says Japan may spur global market fall

By Gillian Tett in Tokyo

Japan's economic woes could trigger a global stock market crash unless the country rapidly reforms its banking sector, the president of the Toyota motor group warned yesterday.

"There is a possibility of Japan triggering a worldwide financial crisis, such as a steep stock market plunge involving Europe and the US," Hiroshi Okuda said. "To avoid that, [solving] the bad loan problem is an urgent task."

Mr Okuda, who was addressing Japan's Employers' Federation, of which he is vice-chairman, has a reputation for being frank, but such an outspoken warning is still highly unusual.

His appeal comes as some Japanese economists and western investors are expressing mounting concern that the ruling Liberal Democratic party may backslide on earlier commitments to take radical action to tackle the financial sector problems.

Such concerns have recently weighed on the markets. The Nikkei 225 stock market indicator was pulled down by a fall in bank shares yesterday and closed 0.72 per cent lower at 15,876.22 – before Mr Okuda's comments were made public.

Japan's markets are likely to analyse carefully what Keizo Obuchi, the prime minister, says to parliament today in his first keynote speech since his election as LDP leader last month.

He is expected to argue that the LDP is resolving the financial problems by presenting a bill to parliament next week that will create a "bridge bank" to wind up the affairs of insolvent banks.

The regulatory Financial Supervisory Agency is conducting a two-month inspection of 13 large banks in an effort to raise international investor confidence in the banks and to decide whether any should be closed.

However, a senior FSA official has said: "Our [civil service] code prohibits us from publishing the outcome of the inspections. It is up to the Japanese banks to decide whether they would like to disclose the results or not."

Obuchi's quest, Page 4
Saito's election call, Page 14
World stocks, Page 36

Former White House intern Monica Lewinsky arriving at court in Washington yesterday to testify before a federal grand jury about her alleged sexual relationship with President Bill Clinton. Report, Page 4 Picture: Reuters

Fall in jobless total offers little comfort for Kohl

By Ralph Atkins in Bonn

German unemployment continued to fall in July, but the figures appeared to offer little comfort to Chancellor Helmut Kohl in his campaign to retain power after the September 27 general election.

Unemployment fell by 37,000 to 4.22m in July after adjustment for seasonal variations. It was the seventh consecutive monthly fall, but the reduction was significantly smaller than in the previous two months.

Its political impact was obscured by a 59,000 rise to 4.134m in the unadjusted unemployment total, which attracts more attention in Germany. Job creation schemes also expanded.

Meanwhile, economic ministry figures showing an unexpected 1.9 per cent drop in industrial production in June cast doubt on the strength of Germany's economic recovery in the second quarter of the year. The May figures showed a 1 per cent rise.

Support for the government came yesterday from the Organisation for Economic Co-operation and Development's latest report on Germany, which forecast an economic growth rate of 3 per cent next year.

But the OECD said unemployment would not fall below 4m next year, as predicted this week by Mr Kohl. It noted continuing structural problems, particularly in east Germany, which has been affected by a weak construction industry.

Job creation is the central campaign theme of Gerhard Schröder, the Social Democratic challenger who opinion polls suggest is set to unseat Mr Kohl.

A Forsa institute survey for the Die Woche newspaper yesterday showed the Social Democratic Party maintaining its lead with 43 per cent support, although Mr Kohl's Christian Democratic/Christian Social Union rose one percentage point to 37 per cent.

Herbert Schmülling, deputy government spokesman, said the latest unemployment figures – the penultimate before September 27 – reflected an economic upswing that was "gaining breadth and dynamism" and resulted from the "clear reform course of the government".

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Reed Elsevier may look to US for new chief executive

By John Gapper in London

Reed Elsevier, the Anglo-Dutch publishing group, may appoint an American chief executive following its decision to abandon the sharing of executive power between its London and Amsterdam holding companies.

Reed Elsevier announced yesterday that it was seeking an outsider to become the first sole chief executive to head the group since the publishing operations of Reed International and Elsevier were combined in 1993.

Nigel Stapleton and Herman Bruggink, the co-chairmen of the group, will step aside for a new chief executive in April next year. They said the company wanted someone with strong marketing experience to boost global sales. The US is the most likely hunting ground for such an individual.

Mr Stapleton said US shareholders favoured a single chief executive over power-sharing. "To US investors, this is anathema. They ask how a business can be run by people talking to each other," he said.

One Reed Elsevier director said the company was likely to appoint a US executive to complement Morris Tabaksblat, the chairman and chief executive of Unilever, who will become non-executive chairman of Reed Elsevier in April.

The decision to reshuffle management follows the collapse of a planned merger with Wolters Kluwer, the Dutch publishing group, earlier this year, although Reed Elsevier said it had planned the move before this happened.

The announcement came as Reed Elsevier disclosed a 1 per cent fall in pre-tax profits to £418m for the six months to June 30, excluding an exceptional gain of £692m on the sale of businesses, including IPC Magazines.

Turnover in continuing operations increased 7 per cent to £1.58bn. Earnings per share for Reed International rose from 7.7p to 33.8p and adjusted earnings per share fell 2 per cent from 14.5p to 14.2p. Elsevier shares closed Fl 1.4 down at Fl 30, while Reed International shares closed 15p up at 575p.

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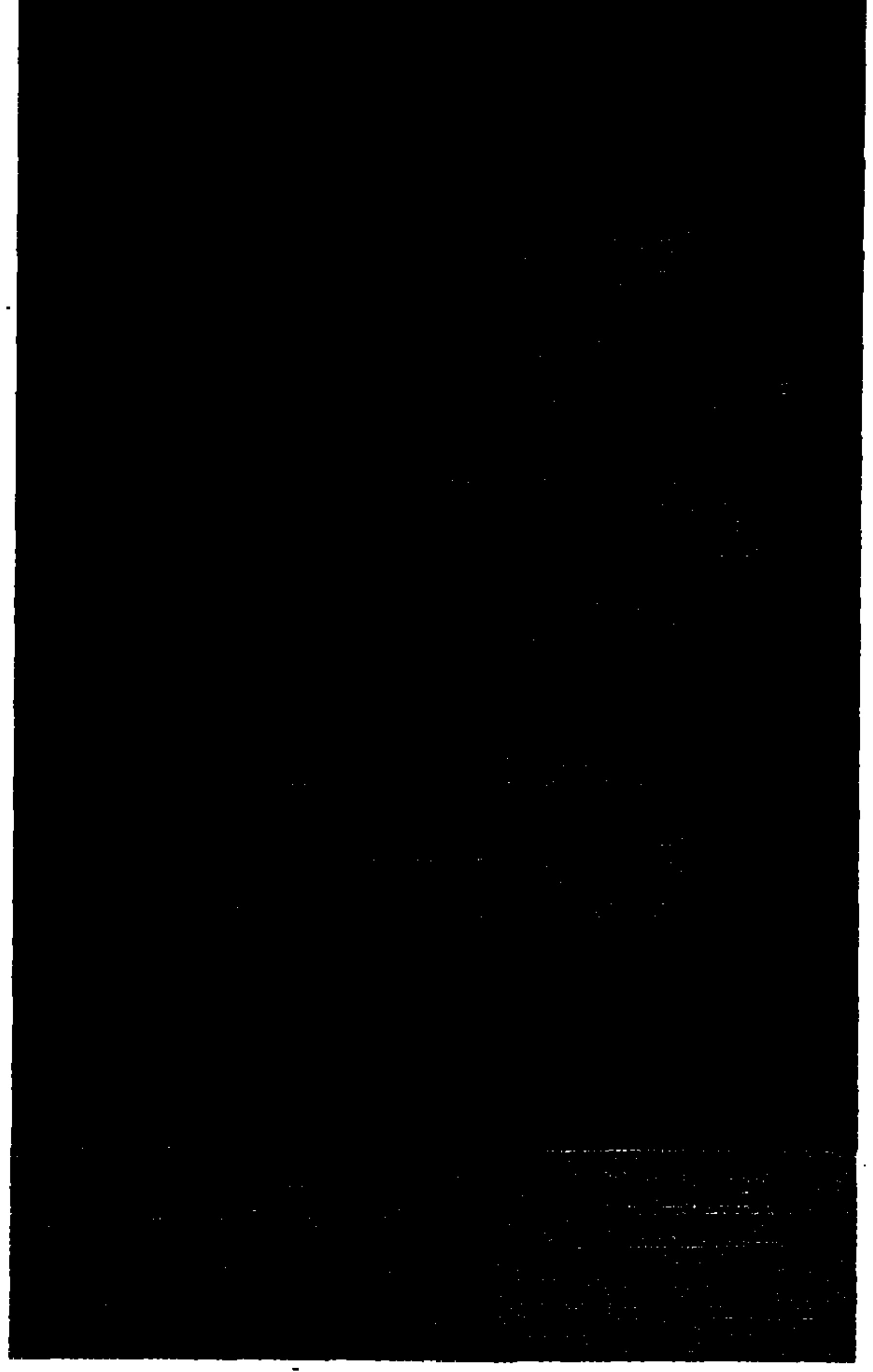

WORLD MARKETS

STOCK MARKET INDICES		
New York: lunchtime		
Dow Jones Ind Av	8,549.10	(+2.32)
NASDAQ Composite	1,812.98	(+24.78)
Europe and Far East		
CAC40	3,068.59	(-7.81)
DAX	5,517.64	(-114.87)
FTSE 100	5,594.1	(-36.4)
Nikkei	15,876.22	(-115.94)
US LUNCHTIME RATES		
Federal Funds	5.56%	
3-mth Treas Bills: Yld	5.09%	
Long Bond	106⅜	
Yield	5.68%	
OTHER RATES		
UK: 3-mo Interbank	7⅞%	(7⅞%)
UK: 10 yr Gilt	111.3125	(110.984)
France: 10 yr OAT	104.23	(104.22)
Germany: 10 yr Bond	104.76	(104.58)
Japan: 10 yr JGB	111.88	(111.81)
NORTH SEA OIL (Argus)		
Brent Dated	$12.055	(12.235)

GOLD		
New York: Comex		
(Aug)	$287.8	(288.2)
London		
	$287.55	(287.45)
EXCHANGE RATES		
Dollar		
New York: lunchtime		
£	1.6362	
DM	1.78825	
FFr	5.996	
SFr	1.4915	
Y	144.225	
London		
£	1.6326	(1.6365)
DM	1.7682	(1.7719)
FFr	5.9265	(5.9408)
SFr	1.4889	(1.4903)
Y	144.595	(144.20)
Tokyo Close		Y 144.40
Sterling		
DM	2.8870	(2.8990)

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EUROPE

OECD warning on German deficit

By Ralph Atkins in Bonn

Germany may fail to reduce its public sector deficit as planned after the single European currency is launched next year, the Organisation for Economic Co-operation and Development said yesterday.

In its latest survey of the German economy, the Paris-based OECD said recovery would gather pace into 1999, helped by a pick-up in private consumption.

There was an "urgent need" for substantial reform of a "complex and opaque" tax system which encouraged avoidance and evasion. Bonn's efforts at tax reform collapsed last year after opposition in the Bundesrat, or second parliamentary chamber. Further pension reforms were needed to cope with an ageing population.

Separately, the OECD backed calls for an overhaul of Germany's complex public finance system. It complained that the large-scale redistribution of funds between Bonn and the 16 federal states, or Länder, was creating "harmful economic side effects".

It echoed calls by Theo Waigel, the finance minister, for more local tax autonomy, backing ideas for allowing the states to add a surcharge to income tax bills.

Gross domestic product was forecast to increase by 3 per cent next year, after 2.7 per cent in 1998, with the Asian economic crisis having little impact.

Private consumption, which remained almost flat last year, was expected to grow by 1.4 per cent this year and 2.5 per cent in 1999. Export growth would slow down. An expected small rise in interest rates in the run-up to European monetary union would have a negligible economic impact.

The OECD acknowledged "a certain optimism that structural reforms may have begun to reduce the natural rate of unemployment". But it predicted only a modest drop in joblessness from 4.41m, or 11.5 per cent of the workforce, in 1998 as a whole to 4.25m or 11.1 per cent next year.

It said current tax and expenditure trends cast doubt on whether the government would achieve its goal of cutting the public sector deficits to 2 per cent of GDP in 1999 and 1.5 per cent in 2000. It forecast a 1999 deficit of 2.8 per cent.

Plans to reduce public spending to the 46 per cent of GDP achieved before German unification by 2000, "will be difficult to meet unless a more ambitious fiscal programme is adopted".

The OECD noted "dramatic changes in capital and labour efficiency" and said Germany was "in the process of substantial structural adjustment".

Editorial Comment, Page 15

France considers duty-free proposals

By Sarah Valenti in Paris

France's Socialist-led government is giving serious consideration to proposals that duty-free privileges in Europe should be gradually phased out, rather than being brought to the immediate end in July 1999 already approved by the European Union.

The change of policy is recommended in a parliamentary report recently submitted to Lionel Jospin, the prime minister. He has pledged to consider its conclusions carefully to head off large-scale job losses.

Without any specific commitment, Mr Jospin has made clear he wants to avoid an "abrupt" application of the 1991 EU directive and to "reduce to a minimum" the negative consequences in those regions most affected.

The publication of the report, which Mr Jospin commissioned in March, follows an abortive move by France, Germany and Ireland at an EU ministerial meeting on May 19 to organise an EU-wide initiative to evaluate the effects of the end of duty-free privileges.

Any attempt to make alterations to the EU directive without the support of the other 14 member-states would pose enormous problems at this late stage.

According to André Capet, the parliamentary rapporteur, France risks losing 10,000 jobs and annual earnings of Ffr5.3bn ($890m), while in the EU as a whole about 100,000 jobs would be threatened.

Mr Capet is a Socialist deputy for the northern French region of Nord-Pas-de-Calais, which stands to be worst affected. Unemployment there already stands at 20 per cent, almost double the national average. More than one-third of local business is generated by cross-Channel traffic, and 3,000 direct jobs could go almost overnight.

In the case of France's airports, the report said that duty-free shops could continue to benefit from non-EU business.

The report accepts that VAT should be immediately applied to all goods as of July 1999, in conformity with the directive. But the main problem in ending duty-free privileges centres on alcohol and tobacco, which account for two-thirds of the goods benefiting from the regime due to disappear next year.

The report suggests that the raising of duties on alcohol and tobacco be staggered over six years. An initial three years (2000-2002) should serve to raise duties to the minimum level sought by the EU, with the remaining three years used for harmonisation.

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Russian tax service to seize oil assets

By Charles Clover in Moscow

Russia's State Tax Service will seize assets of three large oil companies in order to force them to pay tax debts, a senior tax official said yesterday.

The measure is intended to tackle the chronic problem of revenue shortfalls, and is a sign that the government is prepared to take on Russia's powerful business "oligarchs" in order to steer its way out of fiscal crisis.

"The seizure [of assets] has already started," said Vladimir Popov, head of the enforcement division of the tax committee. He described the measures as designed to guarantee the repayment of debt.

The three oil companies, Sidanco, Onako and Eastern Oil, collectively owe the budget more than Rbs1bn ($160m), of which Sidanco owes the lion's share of Rbs740m. Last month, total tax collection for the state budget was Rbs12bn.

Sidanco is owned by Oneximbank, the powerful Russian financial industrial group, while Eastern Oil is part of the large holding company Yukos, controlled by Menatep bank. Onako is still state-owned.

Mr Popov said the authorities would start by seizing buildings, apartments and cars belonging to the management of the companies and their subsidiaries. "This is not the start of a war, but it is the beginning of a well thought-out programme of working with major taxpayers like oil companies," Mr Popov said. He said that the next target for the Tax Service action would be Rosneft, a state-owned oil company which is to be privatised in October.

The move was reminiscent of government tactics to encourage tax payments by Gazprom, the natural gas monopoly, in June. After the government began to seize Gazprom's assets, the company's contributions to the budget improved in July.

Stephen O'Sullivan, an oil and gas analyst for United Financial Group, the investment bank, said it was natural for the government to go after the oil and gas industry when it was short of revenues. "Here is a government that is very short of revenues and an industry that, despite all its problems, is still better off than many sectors in Russia."

However, analysts were surprised that Lukoil, another powerful Russian oil company, was not on the list. Valery Nesterov of investment bank Flemings UCB said Lukoil owed Rbs439bn in tax debts as of July 1.

Larissa Zelkova, a spokeswoman for Sidanco, said the tax service was "distorting the facts". She said Sidanco had signed a protocol with the tax service last month setting up a payment schedule for overdue taxes to which the company had adhered.

Nordic states move towards joint defence purchases

A Finnish helicopter contract could signal the start of a common procurement policy for Nordic governments, writes **Tim Burt**

Early next month, a team of Finnish military experts are expected to visit Britain with a shopping list that could herald a new era in defence procurement by Nordic countries.

The delegation plans to use the visit, timed to coincide with the Farnborough air show, to study the products of four international helicopter manufacturers.

Officially, the Finns will be asking GKN of the UK, Sikorsky of the US, Russia's Mil and Eurocopter – the joint venture between Aerospatiale of France and Daimler-Benz Aerospace of Germany – to show off their transport and search and rescue helicopters in connection with a Finnish order for 15 aircraft.

But all four companies have been advised that the initial modest order is merely the first phase of a potentially much larger, and more lucrative, pan-Nordic helicopter requirement. For the first time, the governments of Finland, Sweden, Denmark and Norway have agreed to study a common procurement package involving up to 80 helicopters over the next 10 years.

"It is a unique approach for these countries to seek a common specification, even if publicly they are buying the aircraft to meet their individual defence requirements," said a senior official at GKN, which is hoping to sell its EH101 transport helicopter to the group.

The initial order, expected next year, would mark the first tangible results of a four-year study into common defence spending by the Nordic countries. In December 1994, they agreed to form up to 20 working groups to examine different procurement projects ranging from submarines to ammunition.

Björn von Sydow, the Swedish defence minister, says the logic behind the process was simple. "We all realised that, given the excess capacity among defence manufacturers, it was a buyers' market and our purchasing power would be greatly increased by working together."

Defence officials in the countries were further motivated by demands from their finance ministries to reduce, or at least contain, military spending. That incentive has persuaded them to examine joint maintenance and training facilities for newly acquired equipment.

"The benefits of joint purchasing are clear for all to see," says Mr von Sydow. "By working together, we can afford to purchase more equipment at a lower price, and we should be able to reduce costs on training and systems support."

Aside from the helicopter programme, joint procurement work is most advanced on a new generation of Viking class submarines for Norway, Denmark and Sweden. Early next year, a submarine working group is expected to announce the recommendations of its two-year study into the prospective order, worth up to SKr2bn ($252m) per vessel.

"We are very optimistic that the Nordics can acquire the same type of submarine, although no final decision has yet been taken," says one Swedish defence official.

If such common purchasing delivers the promised cost savings, it could lead to further defence co-operation. Indeed, the defence ministers of the countries involved signalled their readiness to explore joint troop deployment earlier this year by announcing plans to form a Nordic brigade of 3,000 personnel.

In spite of the momentum behind the process, officials in each country emphasise that they will take part in common procurement and joint exercises only to serve their own defence interests.

The Finns are not taking part in the Viking submarine project, while the Norwegians are said to be less enthusiastic than their neighbours about buying a common helicopter.

The ambition to pool resources could also be undermined by widely differing equipment demands. The Norwegians, for example, need transport helicopters mainly for search and rescue missions at sea, while the other countries need them for troop-carrying purposes.

"It will be very interesting to see whether they can resolve their differences and agree to trade off equipment requirements to achieve the cost benefits of a joint programme," says an executive at one of the helicopter manufacturers bidding for the Nordic order.

Other industry executives also question whether the four countries will achieve the synergies they hope for from joint procurement. In the helicopter project, for example, bidders have been asked to submit a modular tender, in which the basic airframe could be adapted for different equipment packages to meet the specification of each country.

There is a suspicion that the countries involved may try to source such "bolt-on" modules from their own equipment manufacturers to protect local defence suppliers, which could quickly negate any savings on the common platform.

"The basic idea behind joint procurement looks compelling," says an industry executive in Sweden. "But cultural differences between the countries and politically motivated decisions on sourcing components may make the whole process something of a minefield."

OBITUARY TODOR ZHIVKOV

Last product of the Stalinist mould

Todor Zhivkov, Bulgaria's former dictator, who died on Wednesday, was the last of the communist rulers in the Stalinist mould. His career as party boss spanned the entire post-Stalinist period – but ran out the day after the collapse of the Berlin Wall.

President Petar Stoyanov, in a statement released yesterday, said Zhivkov had presided over "one of the darkest periods of recent Bulgarian history... With the death of Todor Zhivkov, the era of Bulgarian communism is finally ending."

Zhivkov outlived Khrushchev, Brezhnev, Chernenko and Andropov and, politically at least, nearly survived Gorbachev. Only when the collapse of eastern European communism was too obvious to be ignored did the apparatchiks led by Andrei Lukanov, his heir apparent, find the courage to remove him in a November 1989 palace coup.

Disgraced and reviled after his removal from power, the erstwhile "father of the people" was nevertheless spared the fate of his neighbour, Nicolae Ceausescu. The Romanian dictator was summarily executed on Christmas Day, 1989.

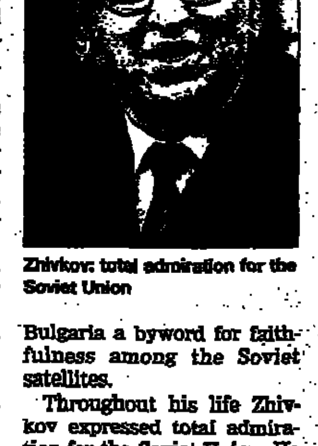
Fourteen months after his fall from grace, Zhivkov was arraigned before a court in Sofia. He was charged with embezzling millions of leva to finance a luxurious lifestyle and revolutionary movements around the world. A sprightly 79-year-old, he treated the charges with contempt, saying he was the victim of "a filthy political trial" concocted by his former communist colleagues to deflect attention from their own misdeeds.

The trial reflected the ambiguities of post-totalitarian Bulgaria, a country humiliated and impoverished by 45 years of communism. Zhivkov was not tried on far more serious charges arising from his regime's persecution of the ethnic Turkish minority in the early 1980s or for the murder with a poisoned umbrella of Georgi Markov, a prominent dissident who worked in London for the BBC's Bulgarian service.

The proceedings also glossed over Zhivkov's role in the early communist period, when more than 11,000 people were accused at 135 show trials and over 2,000 were sentenced to death. Zhivkov closed some of the camps after he achieved supreme power in 1954, but he also opened two new ones at Lovech and Skravena close to the Danube which were not closed until 1962.

Zhivkov was born into a peasant family in the village of Pravets in September 1911. He became a printer and in 1928 joined the small communist movement during the pre-war monarchy as a recruit to the party's youth wing. Six years later he joined the Sofia party committee, and he was active in the communist underground during the second world war, when Bulgaria was allied with Nazi Germany.

When the Red Army crossed the Danube in 1944, Zhivkov, then a party organiser and partisan commander, took part in the Soviet-backed coup which brought the Fatherland Front – the party supported by the communists – to power. The coup marked the start of 45 years of subservience to Moscow which made Bulgaria a byword for faithfulness among the Soviet satellites.



Zhivkov: total admiration for the Soviet Union

Throughout his life Zhivkov expressed total admiration for the Soviet Union. He played up to Russia's traditional Slavic sympathy for Bulgaria, even suggesting that his country should join the Soviet Union as the 16th republic. His flattery of Leonid Brezhnev and other Soviet leaders meant that Moscow felt it could rely on Bulgaria in a way that was much less true for Poland or pre-1969 Czechoslovakia or even East Germany.

During the Zhivkov years, Bulgaria was industrialised in typically heavy-handed Soviet fashion. The countryside was regimented into big agro-industrial complexes, and the cities sprouted rows of bleak housing blocks. The disastrous legacy was still evident as late as 1996-97, when Bulgaria's economy all but seized up.

Bulgaria's difficulties in the early post-Zhivkov years meant that his reputation underwent a recovery as many ordinary people looked back on an era of dull certainty when at least a low level of subsistence and basic health and education had been guaranteed.

Those confused by the bickering of multi-party politics remember the days when politics was in the hands of a bald old man in glasses who seemed to have been there forever and had powerful friends in Moscow. Now he has gone, some Bulgarians will remember him with something like affection.

Anthony Robinson

NEWS DIGEST

KOSOVO CONFLICT

Serbian forces attack last pockets of resistance

Serbian forces yesterday attacked the remaining pockets of resistance of ethnic Albanian rebels in Kosovo province, despite US warnings of military intervention if President Slobodan Milosevic of Yugoslavia does not call off his offensive. Police blocked journalists and western diplomatic observers on the edge of the central town of Srbica from entering the village of Lausa. Smoke hung over the area and the occasional boom of artillery fire could be heard nearby.

Government forces have captured a swathe of central and southern Kosovo over the past week, burning villages and fields and putting to flight tens of thousands of civilians. Pro-independence rebels of the Kosovo Liberation Army have mostly retreated in disarray after evacuating civilians.

The US envoy, Richard Holbrooke, warned on Wednesday that the operation, which was continuing despite Mr Milosevic's assurances to the contrary, "increases dramatically the likelihood or possibility of active western intervention of a military sort".

He also said Mr Milosevic had received a letter from the US Secretary of State, Madeleine Albright, of "a very forceful nature". **Guy Dinmore, Srbica**

HOLOCAUST LAWSUITS

Moody's warning on UBS

UBS, Europe's biggest bank, could lose its triple A credit rating if it does not settle the US law suits related to Holocaust-era issues, Moody's, the US credit rating agency, indicated yesterday.

The agency described UBS's ability to maintain its coveted rating as "negatively cautious". It also suggested that UBS was more vulnerable than Credit Suisse, its smaller Swiss rival, to a possible downgrade.

The agency has left the ratings of both banks unchanged for the time being. It estimates that the direct financial costs associated with potential sanctions are "unlikely to be severe", given their earnings strengths and ample capital positions.

The costs of any financial settlement of the US class actions suits are also regarded as "manageable". However, Moody's warned that if they failed to reach a settlement they could lose some important business clients.

This could affect the strong business franchise that underpins their creditworthiness, although Moody's concluded that the likelihood of them suffering "substantial franchise damage" was low. **William Hall, Zurich**

RUSSIAN UNIONS

Nationwide strike threatened

Russian trade unions threatened yesterday to launch an indefinite nationwide strike from October to protest against unpaid wages and the International Monetary Fund's austerity programme. "If the government wants total war, it's going to get it," said Andrei Isayev, leader of the political arm of the Federation of Independent Trade Unions. "The legendary patience of the Russian people is coming to an end."

Since the start of the summer, hundreds of miners demanding payment of wage arrears have periodically blocked sections of the Trans-Siberian railway, the main means of freight transport in Russia. Other miners in the Russian Far East have gone on hunger strikes.

The deputy prime minister, Boris Nemtsov, threatened that the government would withhold cash from coal-mining industries in any region where the railways were blocked.

Coal reserves in power plants have plummeted to alarmingly low levels, prompting the newspaper Izvestia to write that electricity in 12 of Russia's 89 regions might soon be cut off. **Astrid Wendlandt, Moscow**

TURKISH MILITARY

New chief of staff

Turkey's military leaders have appointed a successor to the outgoing chief of staff, General Ismail Hakki Karadayi, who spearheaded an anti-Islamist campaign during his four years as armed forces head. The decision to replace Gen Karadayi with the land forces commander, General Huseyin Kivrikoglu, was published yesterday in the Official Gazette and comes into effect from August 30, when Gen Karadayi retires.

Under Gen Karadayi's leadership, the powerful generals inspired a crackdown on the perceived threat of Islamist activism. Turkey's first Islamist prime minister, Necmettin Erbakan, resigned in June 1997 under pressure from the military. Legal authorities have since joined ranks with the army by opening cases against prominent Islamist figures.

Gen Karadayi's deputy, General Cevik Bir, was appointed to the command of the First Army, based in Istanbul. Gen Bir has been prominent as the military's spokesman against Islamist politics.

Gen Kivrikoglu's appointment was agreed by top-level generals during a three-day meeting at which they were also expected to dismiss suspected Islamist sympathisers from the ranks. **Agencies, Ankara**

GREEK ECONOMY

Inflation lower in July

Greece's annual inflation rate slowed in July from 5.2 per cent to 5.1 per cent, in line with government projections of a gradual decline over the summer. Sharply lower prices for fresh fruit and vegetables accounted for the fall, according to the state statistical service.

Inflation jumped from 4.3 per cent to 5.3 per cent after the drachma underwent a 12.1 per cent devaluation in mid-March, at the time of Greece's entry into the European Union's exchange rate mechanism.

To be sure of adopting the euro by 2001, Greece must reduce the average inflation rate to 2.5 per cent by the end of 1999. **Kerin Hope, Athens**

CZECH REPUBLIC

Brussels opposes lottery law

The European Commission has warned the Czech Republic of a "serious breach" of an agreement with the European Union over a proposed law change, which it says would prohibit companies with foreign capital participation from operating lotteries and similar games in order to market products.

Hans van den Broek, the external affairs commissioner, said in a letter to the Czech foreign ministry that the law change could block marketing activities such as consumer competitions and prize games. He said it "represents a threat to the economic viability of foreign investment in the republic".

The Czech Republic this year began negotiations for EU membership. **Michael Smith, Brussels**

Lewinsky testifies in secret on Clinton

By Gerard Baker in Washington

In the midst of a media frenzy that recalled the final days of the trial of O.J. Simpson, Monica Lewinsky, the former White House trainee at the centre of allegations surrounding President Bill Clinton, yesterday began delivering her long-awaited testimony.

Ms Lewinsky was expected to give an account about her alleged sexual relationship with Mr Clinton that would put her testimony directly at odds with the president's repeated denials under oath of a sexual relationship.

But it remained unclear whether Ms Lewinsky's testimony before a federal grand jury hearing an investigation into the president would directly incriminate Mr Clinton in what would be far more serious allegations of attempts to obstruct justice.

Journalists had been queueing since 5pm on Wednesday to get one of the coveted spots on the third floor of the E. Barrett Prettyman court buildings a few blocks from Capitol Hill, where the grand jury has been meeting.

The proceedings themselves are conducted in secret, but reporters and television crews have been camped outside the building for most of the last six months. At 8.30 yesterday morning the 25-year-old Ms Lewinsky, wearing a dark blue suit and white shoes, was hustled into a side entrance of the courthouse.

Ms Lewinsky was last week granted blanket immunity from prosecution by Kenneth Starr, the independent prosecutor, in return for her truthful testimony. She is understood to have told Mr Starr's team that she had repeated sexual encounters with Mr Clinton. But she is said to have denied Mr Clinton asked her to lie about the affair under oath, or arranged for her to get a job to prevent her from telling the truth.

In January, Ms Lewinsky swore an affidavit before lawyers for Paula Jones, the former Arkansas employee who accused the president of sexual harassment, that she had not had a sexual relationship with Mr Clinton.

The White House did its best to project a business-as-usual air yesterday. Mr Clinton ignored a reporter's question about the Lewinsky testimony as he ducked into the Oval Office after an anti-crime event in the Rose Garden. Barry Toiv, a White House deputy press secretary, poured scorn on Mr Starr's lengthy investigation.

"The view here is that we're hopeful that this means a four-year investigation that has cost upwards of $40m is finally coming to a conclusion," he said, referring to the full Whitewater investigation. The president will testify before the grand jury by closed circuit television from the White House on August 17.

Mr Clinton's lawyers were also working yesterday on a new legal dispute over the testimony of Lanny Breuer, a White House lawyer, who has refused to answer questions from the independent prosecutor. Mr Breur has claimed lawyer-client privilege and executive privilege.

Optimism takes hold in Colombia despite civil war

The country's economy has sagged badly but there is hope ahead for a new administration, writes **Adam Thomson**

This week, Colombia's long-running civil war erupted into its most violent phase for half a decade. The country's once exemplary economy has sagged badly. Corruption scandals rumble on.

But as a new administration prepares to take office today, there is a spirit of optimism. Despite the challenges ahead, Andrés Pastrana, the incoming president, seems to have made as promising a beginning as possible.

The feeling of a new start was palpable earlier this week when Mr Pastrana emerged from a meeting with President Bill Clinton, and four years of tense diplomatic relations seemed to melt away.

"The years of distrust are over," said Mr Pastrana as he stepped out of the White House. "Today, a new era in US-Colombian relations has begun, an era of positive and productive change."

By contrast, Ernesto Samper, Mr Pastrana's predecessor, was stripped of his US tourist visa when corruption charges against his administration began to mount, including the alleged entry of $6m drugs money to fund his 1994 presidential campaign.

US disapproval may have cost Colombia dear in lost investment and trade opportunities. But Mr Pastrana has a still bigger challenge: the search for a lasting solution to more than 35 years of armed conflict.

Together with development of the Colombian cocaine "industry", the civil war has helped turn the country into the most violent nation in the western hemisphere. But even here, signs have improved since Mr Pastrana's election victory on June 21, despite the recent rebel onslaught.

Under the previous government, peace initiatives with the country's 15,000 leftwing guerrillas hit an impasse. Rebel leaders rejected Mr Samper's persistent invitations to start peace talks, arguing that his government was corrupt and illegitimate. Ironically, the guerrillas themselves have become increasingly involved with Colombia's drugs trade, which remains a formidable threat to the government, despite some recent setbacks.

The guerrillas' offensive this week represents a bloody goodbye for Mr Samper's government. So far, the attacks have killed more than 100 soldiers and police, with at least as many missing in action.

But leaders of the country's largest guerrilla group, the Revolutionary Armed Forces of Colombia, have provisionally agreed to hold peace talks with the new government within the next three months.

A lasting peace could still take years to negotiate. The guerrillas have shown a desire to talk to Mr Pastrana, but their demands for political reform and greater social justice remain vague.

The government will also have to deal with various rightwing paramilitary groups which have sprung up in response to the guerrilla threat.

Law and order is far from the only challenge facing Mr Pastrana's administration: it will have to deal with serious macro-economic imbalances. Four years of economic mismanagement under Mr Samper have seriously weakened one of the strongest economies in the region.

Growth rates have tumbled. The government expects gross domestic product to grow 3.3 per cent this year, compared with historical averages of 4.5 per cent.

Unemployment, now affecting 15.8 per cent of the workforce, almost doubled during the Samper administration and is now the highest in the country's history.

Yet the most urgent economic issue is a fiscal deficit projected at 3.5 per cent of GDP for this year, compared with 0.3 per cent when Mr Samper took office in 1994.

Mr Pastrana's economic team, headed by his finance minister, Juan Camilo Restrepo, has pledged to carry out deep cuts in government spending, including a limit on public-sector wage rises of 14 per cent, compared with inflation of at least 18 per cent this year.

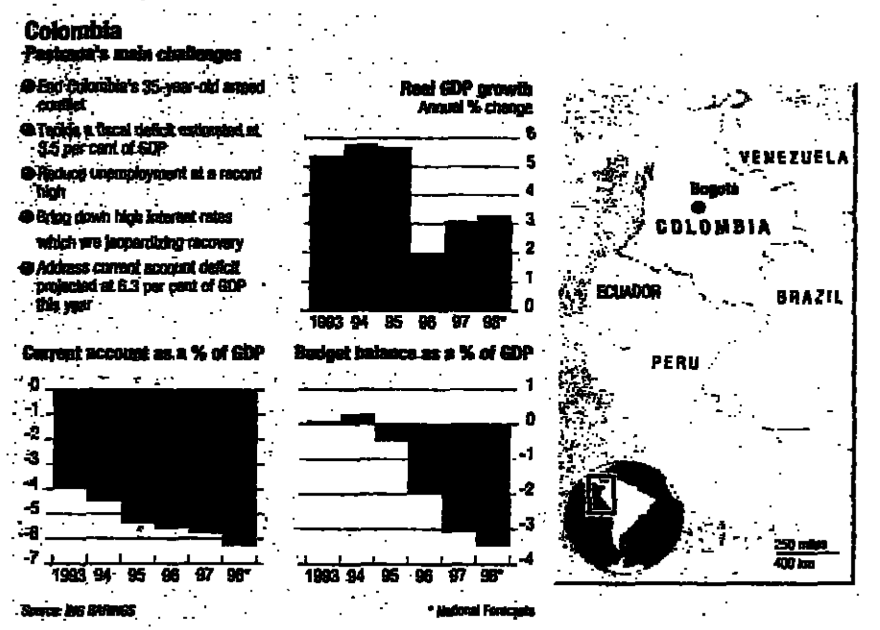
But while Mr Restrepo enjoys widespread support among the country's private sector, economists remain cautious about the possibilities of reducing the deficit.

"Significantly reducing Colombia's inflexible budget will require congressional approval, and that takes a long time," said Javier Fernández, of the economic consultancy firm Fernández Riva y Asociados.

Whether the challenge is the economy or the civil war, Mr Pastrana faces the prospect of several difficult and painful years before he can fulfil his early promise.

Editorial Comment, Page 15

A Colombian policeman weeps over two colleagues killed by guerrillas AP



Source: ING Barings

* National Forecasts

NEWS DIGEST

OIL DEVELOPMENT

Environmental curbs on new Alaskan drilling

The US administration yesterday announced a controversial plan to allow oil development in an unspoiled part of northern Alaska but imposed tough restrictions designed to ensure it had a minimal environmental impact.

The decision follows an 18-month review of requests by oil companies to begin drilling in the 23m-acre National Petroleum Reserve that adjoins existing oil fields near Prudhoe Bay on Alaska's North Slope. Although the reserve was created in 1923 as a possible source of oil for the US Navy, it has remained closed to the industry and is home to a wide variety of wildlife that environmentalists say would be harmed by drilling.

However, Bruce Babbitt, interior secretary, said the decision would affect only a very small part of the reserve and would balance environmental and development interests.

Government officials also stressed that the move did not mean the administration was prepared to relax its strong opposition to drilling in the Arctic National Wildlife Refuge, another big Alaskan wilderness that has been targeted by oil companies. **Mark Suzman, Washington**

VENEZUELAN ECONOMY

Fears grow of downturn

Expectations of an economic downturn in Venezuela have increased after a leading business survey released this week suggested the economy has yet to feel the full brunt of weak oil prices, capital flight and high interest rates.

Production and employment in industry have fallen, while private investment has stagnated during the second quarter of this year, according to the survey by Conindustria, the federation of chambers of industry.

"This is only the beginning of the bad news. We think it will get worse," said Luis Henrique Ball, Conindustria president. He said high interest rates were causing companies serious cash flow problems and stifling demand. According to the survey, capacity utilisation dropped from 67.2 per cent at the end of 1997 to 61.7 per cent at the end of June. **Raymond Colitt, Caracas**

FAKE CONTRACEPTIVES

Schering executives accused

A Brazilian public prosecutor has recommended that two executives from Schering, the German pharmaceuticals group, be prosecuted for negligence for their role in a scandal over fake contraceptive pills made from flour.

Rainer Bitzer, president of the Brazilian subsidiary of Schering, and Walter Schenk, industrial director, are to appear before a São Paulo criminal court to respond to the charges, which could bring seven years in prison.

Pedro Manoel Ramos, a state prosecutor, claimed the two executives were responsible for the distribution on the market of contraceptive pills made from flour. Schering had produced the pills in a testing exercise for a new packaging machine.

Schering has said that it does not know how the fake pills ended up on the market but believes they must have been stolen on the way to being destroyed.

Schering has already been fined R$2.9m (US$2.5m) by the government but is appealing. **Geoff Dyer, São Paulo**

ASIA-PACIFIC

CURRENCY JITTERS SPECULATORS WORRY OVER AUTHORITIES' COMMITMENT TO US DOLLAR PEG AND CHINA'S PLEDGE NOT TO DEVALUE

Hong Kong stock market at 3½-year low

By Louise Lucas in Hong Kong

Hong Kong's stock market *fell to a 3½-year low yesterday* as speculators returned *to the money markets and* corporate earnings continued *to disappoint.*

The money markets have been *increasingly jittery* this week as the weakness of the Japanese yen has refocused attention on the possibility of a devaluation of the Chinese currency, the renminbi.

Officials in Beijing have repeatedly ruled out the possibility of a devaluation, while in Hong Kong the authorities have continued to stress a commitment to *the Hong Kong dollar's peg* to the US dollar, but such *pledges* have failed to curb money market speculation.

In Hong Kong yesterday, three-month interbank interest rates went as high as 11 per cent, up from 10.5 per cent on Wednesday, pushing the benchmark Hang Seng Index down 2.84 per cent at 7,254.36, its lowest level since January 1995.

The nervous mood affected other regional markets, hitting the Taiwan dollar and South Korean won.

Interest rates in the Hong Kong interbank market, where banks borrow from each other, have been climbing throughout the week as buyers have sought US dollars. Intervention by the Hong Kong Monetary Authority, the quasi central bank, has further rattled nerves, despite the HKMA's insistence it was dealing on behalf of the government.

It attributed its big market purchase of Hong Kong dollars on Wednesday to a need to cover the seasonal "deficit". The government treasury is usually low on funds between June and November before tax receipts come in in December.

A spokesman said the transaction was not market intervention and would not affect the aggregate balance in the banking system. However, dealers were unconvinced by this and said the intervention jeopardised the HKMA's political neutrality: as guardian of a currency board, where Hong Kong dollars are backed by US dollars, it should not manoeuvre rates by adding or removing liquidity.

Stephen Xu, regional treasury economist at Standard Chartered Bank, said: "The lesson we have in Hong Kong is that prosperity and stability of the currency regime is very, very much dependent upon political neutrality. That's the only way to withstand speculative pressure.

"In theory, the Hong Kong dollar is the US dollar in different colours. Somehow, the market is now having some doubt as to whether this is indeed the case."

The Chinese authorities also intervened yesterday to support the renminbi. While a devaluation of the Chinese currency would not necessarily dismantle the Hong Kong currency peg – which has already withstood devaluations from across the border in its 15-year history – it would certainly invite another speculative attack.

Bad-loan blot, Swire results, Page 20; Currencies, Page 25; Stock Markets, Page 36

Sharif names finance chief

By Farhan Bokhari in Islamabad

Hafeez Pasha, deputy chairman of Pakistan's planning commission, was last night named as the prime minister's adviser on finance, in effect becoming finance minister.

The appointment of Mr Pasha, a former economics professor, is the most important change in Pakistan's latest cabinet reshuffle.

Sartaj Aziz, who has served twice as *finance minister*, has been named as the new *foreign minister*. Mr Aziz is to replace Gauhar Ayub *Khan*, who resigned as the foreign minister several months ago, but was asked to carry on until a successor was found.

The cabinet reshuffle is largely driven by anxieties of the prime minister, Nawaz Sharif, over the country's worsening economic outlook, senior officials and businessmen said.

He is concerned about an impending foreign debt crisis and faltering tax and *other reforms, they said.* Pakistan's external reserves are *sufficient to* pay for only about three weeks' imports.

Mr Pasha will become Pakistan's chief negotiator with lenders, most importantly the *International* Monetary Fund, which is due *to* send a mission later this month to open negotiations for a new *loan package* that would help stave off a foreign debt crisis.

However, he will not be appointed finance *minister* as he is not a member of *parliament. Under Pakistan's* constitution, ministers *can be chosen only* from members of parliament.

Mr Sharif is expected to keep the finance portfolio in *his office*, with Mr Pasha overseeing the ministry's daily work.

It is the second time that Pakistan has seen such an arrangement in recent years. During the tenure of Benazir Bhutto, the former prime minister, the finance ministry was run by V.A. Jaffery, an experienced finance ministry and central bank official, who was not a member *of* parliament.

However, it was not immediately *clear what difference* Mr Pasha's appointment would make. Mr Aziz is a widely respected politician with a powerful voice within the ruling Pakistan Moslem League. Mr Pasha has had no political experience.

Burmese protest hampered

By Ted Bardacke in Bangkok

Efforts by Burma's National League for Democracy to commemorate publicly tomorrow's 10th anniversary of a violent crackdown by the military authorities *could* be hampered by the fragile health of the NLD leader, Aung San Suu Kyi, diplomats said yesterday.

The signs are, said one, that Ms Suu Kyi "is recover*ing* quite well" from her ordeal last week, when she went for several days with meagre amounts of food and water in a roadside stand-off with the military.

"Still, she is not ready yet for another confrontation," said another diplomat, of the 52-year old Nobel prize winner. "She is just not well enough. It's going to be a long month." Ms Suu Kyi has vowed to leave her home again as soon as she is strong enough.

The NLD has demanded the military allow the parliament elected in 1990, but which it does not recognise, to convene for the first time on *August 21.*

Ms Suu Kyi's presence at any *protest action* by NLD supporters is crucial. She has great drawing power among the people and her appeals *for calm* have always been heeded.

Keizo Obuchi sets out on his mountainous quest

Japan's PM treads more in hope than expectation, writes **Khozem Merchant**

Keizo Obuchi, Japan's prime minister (centre) flanked by his cabinet secretary, Hiromu Nonaka (left), and finance minister, Kiichi Miyazawa, along with other cabinet members AP

As Keizo Obuchi climbs the steps of the podium in the Diet today to deliver his inaugural parliamentary speech as prime minister, he may well feel as *though he is climbing a* mountain. If he disappoints, *the fall will be steep and* damaging for Japan and the *global economy.*

Mr Obuchi's policy address will be the first set-piece opportunity to explain his strategy to tackle Japan's sclerotic economy, which is stuck in its worst recession in 50 years.

So hostile is investor and popular opinion, that Mr Obuchi, prime minister for barely one week, is already being written off. "I give him six months," says Ken Okamura, strategist at Dresdner Kleinwort Benson in Tokyo. Few expect Japan's new prime minister to be in office beyond 12 months.

Mr Obuchi, widely seen as not up to the task, faces an onerous struggle.

He must mollify those *members of the Liberal Democratic party* (LDP) who are *still wounded after what* was, by Japanese standards, *a savage leadership contest.* He must assuage critics *overseas, principally the US,* whose demands that Japan reflate its economy have not been satisfactorily answered, and he must pacify the markets, at home and abroad, which smell blood.

Above all, he must win the confidence of a deeply sceptical electorate. In last month's national elections voters thrashed the ruling LDP only to see it install as prime minister another faceless backroom operator.

Mr Obuchi's humble declaration that he was the "least *qualified" of the three candidates* contesting the LDP *leadership – and in effect* the prime ministership – *may turn out* to be a judgment of great prescience. The electorate is in no doubt. It rates him, in opinion polls, the most unpopular prime minister for more than three decades.

"Mr Obuchi has a lot of questions to answer, primarily on pledges to revive the economy," says John Neuffer, analyst at Mitsui Marine Research Institute, a think-tank in *Tokyo. "He has to* inject credibility [in this government]. *He has* to deliver."

Market and popular expec*tations are so low that it will* be hard for Mr Obuchi to *disappoint today. Yet he will* need to break new political *ground, in a ceremony* traditionally short on detail and long on vague promises, by giving a strong sense of "going forward with a clearly articulated fiscal strategy", says Mr Neuffer.

Central is cleansing the banking system, which is burdened with Y87,000bn ($603bn) in bad and problem *loans, and is a drag on the* broader economy. This week the cabinet approved a scheme to create a "bridge *bank" to help wind up failed* banks. The legislation goes *to parliament next week.*

The dilemma for Mr Obu*chi, a conciliator by nature,* is to strike a balance between LDP zealots – who demand closure of bad banks with all that entails, such as more failed businesses and higher unemployment – and moderates who favour a "softer landing" for banks. If Mr Obuchi fails to keep the radicals on-side, the LDP may split.

In the Diet, Mr Obuchi will face a hostile opposition, which *this week* said the bridge bank scheme was "*insufficient*" *and has* pledged to block it. The LDP *controls the powerful* lower house of the Diet but would lose its majority if 12 disaffected LDP parliamentarians voted with their feet and joined the opposition.

The investment community says the LDP could gain credibility by disclosing the real state of the banks' bad and problem loans and by showing its hand on permanent tax cuts to inflate stubbornly low consumer spending. "We want an expression of intent that Obuchi is prepared to address the bad debt question with an open mind and that he is prepared to seize the nettle of tax reform," says Mr Okamura.

By his own account, Mr Obuchi is neither a charismatic leader nor a visionary fiscal strategist. Until this week, *his claim to fame was* in declaring the start of the *new Imperial era after* the death of Emperor Showa *(Hirohito)* in 1989, which prompted some observers to suggest anonymity becomes him. Such may be his fate.

India sees marches against N-tests

By Amy Louise Kazmin in New Delhi

Carrying placards reading "Better active today than radio-active tomorrow" and "I want to grow up, not blow up," thousands of Indians, including hundreds of schoolchildren, marched in *New Delhi and Calcutta* yesterday against nuclear tests *by India and Pakistan.*

Held on the 53rd anniver*sary of the dropping of* an atomic bomb on Hiroshima, the protests were the first sign of an organised anti-nuclear movement in India.

The marches come in a week when Atal Behari Vajpayee, India's prime minister, has reiterated that New Delhi has plans to conduct further nuclear tests, but is willing to negotiate the *signing of the Comprehensive* Test Ban Treaty.

India's nuclear tests were initially greeted with a burst *of public enthusiasm* by citizens who saw them as an *overdue* assertion of the country's aspiration to be taken seriously on the *global* stage. But many anti-nuclear activists believe that the initial euphoria was a "manufactured consensus" among the ill-educated.

WORLD TRADE

Peru opens telecoms market early

By Sally Bowen in Lima

In a surprise move, the Peruvian government has thrown open the domestic telecommunications market *to full competition* 11 months earlier than expected. Access *to* the Peruvian market for new operators is *officially backdated to* August 1 and is expected to bring in $2.5bn in new investment over the next four years.

The announcement came in a supreme decree published in the official gazette, but terms had previously been agreed with Telefónica del Perú, according to senior government officials. Telefónica del Perú, a subsidiary of the Spanish *telecoms* company, acquired a controlling *stake* in the Peruvian *state* long-distance telecommuni*cations monopoly, Entel, and* the Lima telephone company, CPT, in February 1994, with a bid of over $2bn.

Under the privatisation contract, Telefónica enjoyed monopoly status over fixed-line and long-distance telephony for five years from its formal takeover of Entel and CPT, due to end in late June 1999. In return, it *assumed* a variety of obligations con*cerning expansion and* improvement of services, and provision of services to remote areas.

"Telefónica del Perú has fulfilled, earlier than anticipated, all its contractual obligations, allowing us to *open the local market early,*" said Antonio Paucar, transport and communications minister. In 1994, he said, *Peru had the lowest level of* telephone provision in South America, at only 2.7 lines per 100 inhabitants. "This is now between nine and 10, including cell-phones, and should rise to 15 within three years." The end of the Telefónica monopoly was generally well-received although they will postpone for three years activation of a "productivity factor" which would have lowered tariffs to users in return for gains in efficiency.

Best-positioned to take *advantage of the faster-than-*expected market liberalisation is Tele 2000, a telecoms company founded by Peruvians in which BellSouth of the US acquired a controlling stake in early 1997.

In May, Tele 2000/BellSouth – which was already competing with Telefónica for the capital's *fast-expanding cellphone market* – won the concession for Peru's *provincial* "B" cellphone band.

TELECOMMUNICATIONS SETBACK FOR EFFORT TO SUCCEED GSM AS US GROUP REFUSES TO ALLOW ITS TECHNOLOGY TO BE LICENSED

Qualcomm takes issue on mobile standard

By Christopher Price in London

An attempt to develop a new standard for the next generation of mobile telephones has suffered a setback after Qualcomm, the US telecoms equipment group, said it would not allow its technology to be licensed.

Qualcomm has intellectual property rights to the standard – Wideband CDMA (WCDMA) – which has been chosen by European manufacturers, operators and regulators as the successor to GSM, the current mobile phone standard.

The US group has written to the European Telecommunications Standards Institute (ETSI), refusing to license its technology and arguing that Europe should pursue a single new standard compatible throughout the world.

Qualcomm supports the alternative CDMA 2000, which is being proposed by the *CDMA* Development Group.

ETSI said it had just received the Qualcomm letter and was considering its response.

John Giere, vice-president of public affairs for Ericsson, the Swedish mobile phone manufacturer, in Washington, described Qualcomm's move as "extraordinarily risky posturing."

He said the decision to move to WCDMA had won wide support from Europe, Asia and the US; using an alternative, such as that supported by Qualcomm, would be very costly.

WCDMA will support the development of mobile phones with far greater capabilities – including internet access, moving video images, two-way text communication and on-line transactions – than today's models.

Bill Bold, Qualcomm's vice-president of government relations, said: "We have actively participated in the ETSI process and while ETSI *has had every opportunity* to evaluate CDMA 2000, they *have shown very little interest* in anything that differs from the single WCDMA proposal.

"Serious talks are occurring around the world among standard bodies on the topic of converging CDMA 2000 and W-CDMA for third generation standard. ETSI has chosen not to give serious attention to the convergence proposals."

The row over WCDMA comes just six months after *Europe's* communications industry agreed the new standard. The move avoided a damaging division over mobile phone standards with the agreement of a compromise solution for the next generation of mobile phones.

W-CDMA was championed by Ericsson and Nokia of Finland, while TD-CDMA, its rival, was sponsored by, among others, Siemens of Germany, Sony of Japan and Motorola of the US.

The W-CDMA standard is also supported by the Japanese mobile telecoms giant NTT-DoCoMo, which means it will have widespread acceptance in Asia.

Carlsberg drops sponsorship of Commonwealth Games

By Sheila McNulty in Kuala Lumpur

Carlsberg, the Danish brewer, yesterday admitted defeat *in a long-running controversy* over its sponsorship *of the 1998 Commonwealth* games. This year's games are being staged in Malaysia, where Islam is the official religion and alcohol is forbidden for most people.

The company, which had committed M$9m (US$2.18m) in sponsorship, formally withdrew any association with the September 11-21 games. Mr Jorgen Bornhoft, managing director of Carlsberg, *said the organisers had* refunded some of the sponsorship money, but declined to say how much.

Carlsberg's involvement in the games was not an issue two years ago when it com*mitted M$5m in fees and set* aside M$4m for advertising, *Mr Bornhoft pointed out.* But several weeks ago the *Malay-language press* took issue with Carlsberg's latest campaign linking its logo with the games.

The public nature of the advertisements on bright green buses made them offensive to Moslems, said Mary Assunta, co-ordinator of the Consumer Association of Penang's anti-alcohol *campaign.*

Mr Bornhoft said he was approached to launch the bus campaign. And he even submitted a smaller design incorporating Carlsberg's name far smaller than that approved by the organisers. "There is a sensitivity about beer in *this country* and we know that," he *explains.*

Beer *companies* refrain from advertising on billboards and placing promotions in the Malay-language press. But with an ethnic mix that includes Chinese and Indians, Malaysia has been generally open to beer advertising.

Carlsberg has been in the country for more than 25 years and has *sales* of close to M$800m a year. It controls more than 60 per cent of the market – one of its best showings in the the world.

Sources say the issue was more political than religious: with editors using it to hit at Mahathir Mohamad, the *prime minister. Others say* beer competitors might have stoked animosity.

"I don't think anybody can pinpoint the reason *why this* contract was terminated," Mr Bornhoft said. But even he does not consider it a setback. Promotional beer cans, coasters and mugs still make the rounds. And the controversy has heightened its brand recognition. "Carlsberg got their *mileage,*" said Ms Assunta.

Vietnam in bid to speed energy project deal

By Jonathan Birchall in Hanoi

Vietnam may appoint a *foreign consultant to help* unblock stalled talks with a consortium, including British Petroleum, on a $1.5bn *offshore gas development* scheme vital to meeting the country's energy needs.

The project, aimed at exploiting initial reserves of 1,000bn cu ft of gas off Vietnam's south-east coast, would be the biggest foreign investment project of its kind there.

It is also one of the largest *energy projects still* being considered in a region where infrastructure-related schemes have been hit by the Asian financial crisis. Talks lasting more than a year have failed to produce an agreement on gas and other pricing issues.

The Nam Con Son project has three separate elements: a gas field development by the BP/Statoil Alliance with ONGC of India; a 370km pipeline to bring the gas onshore (to be built by a consortium including Mobil Oil and BHP of Australia); and an onshore power and fertiliser complex, developed by BHP, BP and Statoil.

The foreign investors are negotiating with Petrovietnam, the state oil company, on gas pricing, and with the state-owned Electricity of Vietnam on the price they *will receive* for power generated at a proposed 650MW power plant.

Hanoi has declared the *project* of strategic importance but the talks have become bogged down, partly due to inter-ministerial rivalry in *Hanoi. Sources* close to the project say Vietnamese officials have contacted the World Bank on possible funding for a consultant, who would advise Vietnam in the negotiations.

The project is an important part of World Bank-supported plans to promote privately financed power infrastructure development in Vietnam. Much is riding on its success for BP, which has plans for a significant commitment to the country.

Its problems are typical of those encountered by foreign companies in what many regard as one of the region's toughest investment environments.

Vietnam is struggling to meet rising demand for power from its largely Soviet-era power stations. The BP/Statoil scheme was due for completion by the end of this year but is now unlikely to be on stream before 2001.

UK advised to let BA and American sell slots

By Michael Skapinker, Aerospace Correspondent

The UK's Office of Fair Trading has recommended that the British government overrule the European Commission and allow British Airways and American Airlines to sell any take-off and landing slots they have to relinquish in return for approval of their planned alliance.

Brussels recommended last month that BA and American be required to give up 267 slots at London's Heathrow and Gatwick airport. Karel Van Miert, the EU competition commissioner, said the airlines should not receive payments from competitors which took over the slots. Mr Van Miert said the buying and selling of slots was illegal under EU regulations.

John Bridgeman, the UK director-general of fair trading, otherwise largely supported the Commission's conditions for approving the alliance. However, Mr Bridgeman has told Peter Mandelson, the trade and industry secretary, that "slots have a substantial monetary value". In his recommendations to Mr Mandelson, published yesterday, Mr Bridgeman said: "It would be reasonable to allow the alliance to recoup that value on disposal –just as companies required to dispose of assets as a condition for merger approval are allowed to sell those assets."

He said it was unclear whether EU rules prohibited the selling of slots. However, he believed Mr Mandelson had the power, under the Treaty of Rome, to over-ride the Commission and permit the sale of the slots.

BA and American, whose alliance envisages extensive co-operation and revenue sharing on transatlantic routes, have insisted on their right to receive financial compensation for any slots relinquished.

Mr Bridgeman supported the two airlines on a second issue, when he said it would take some time for BAA, which owns Heathrow and Gatwick airports, to arrange for the transfer of the slots to other airlines. The Commission has said the slots should be transferred as soon as possible.

Mr Bridgeman said that while the airlines could give up the slots, they could not ensure the transfer of airport facilities such as aircraft parking spaces. These would have to be transferred by BAA, which "has advised that it could only cope with the new demands if they are spread over time".

Mr Mandelson will make the UK government's decision on the alliance after considering responses to Mr Bridgeman's proposals. Mr Mandelson said BA's financial contribution to the Millennium Dome at Greenwich would not compromise his impartiality. Mr Mandelson is accountable to parliament for the work of the New Millennium Experience Company (NMEC), which is building the dome. Robert Ayling, BA's chief executive, is chairman of the NMEC.

The BA-American alliances also has to be approved by the US department of transportation.

UNHCR INVESTIGATION REFUGEE BODY'S ROLE IN MUNITIONS FLIGHT QUESTIONED

How quagmire of Rwanda's tragedy engulfed UN agency

By Jimmy Burns and Andrew Edgecliffe-Johnson

When the executive jet carrying the leaders of Rwanda and Burundi was shot down in April 1994 it precipitated further turmoil and tragedy which continue to this day.

As peace talks between Rwanda's Hutu majority and the Tutsi minority collapsed, the United Nations High Commissioner for Refugees (UNHCR) and many other aid agencies were catapulted into the front line of a humanitarian and political crisis.

In a genocide that shocked the world the Rwandan Hutu turned on the Tutsi and as many as a million Tutsi died, with destabilising consequences that continue to be felt in the Great Lakes region.

At least 2m refugees fled to Tanzania, Burundi and Zaire – since renamed the Democratic Republic of Congo – and 3m people were internally displaced.

In their ranks were hundreds of thousands of Hutu refugees – some of whom had taken part in the genocide.

For the aid agencies this posed not only a huge task, but an excruciating predicament. They knew very well that the camps housed the killers, but could not force them out.

On at least three occasions, the then UN secretary general, Boutros Boutros Ghali, appealed for assistance only to be turned down by an international community reluctant to become involved in what would be a hazardous and complex operation.

Meanwhile, the sole source of what passed for law and order in the camps was the notoriously ill-disciplined army of Mobutu Sese Seko, the Zairean president.

The UNHCR decision to hire Zairean soldiers was criticised during the crisis by independent aid agencies because of the Mobutu government's collusion with Hutu militiamen and associated organisations.

In its defence, UNHCR insisted it had little choice.

As Paul Stromberg, a UNHCR spokesman, pointed out this week, the UNHCR relies on host countries for security, and "at that point the host country was engaged in a war". He added: "[Mobutu's soldiers] represented the only physical protection for the humanitarian staff and the camps."

By end-October, UNHCR was warning that the situation in the Goma camps, which contained 500,000 people, was desperate.

It was at this point the commander of the Zairean military contingent in the camps wrote to Kjell Madsen, head of the UNHCR's camp security operation in Goma, requesting "food and munitions". His letter said his battalion was coming under daily attack.

The commander's request, written in French, ended with the words "France collaboration", in an apparent reference to France's loyal support of President Mobutu even after other western allies had deserted him.

His request was copied to the commander of Mobutu's feared presidential guard, raising questions about whether the white helmets were in fact independent of other Zairean armed forces.

The same day, October 25 1996, Mr Madsen relayed the request to his superiors in Geneva and to Hubert Edongo, the UNHCR's regional representative in Kinshasa. He suggested that the UNHCR's backing be limited to financial support, and that Zairean aircraft be used, but added: "In view of the prevailing situation and the urgent need for the (Zairean) contingent to be able to defend the camps, I recommend the UNHCR accommodate this demand."

Exactly what happened next remained known only to those most intimately involved until August 1997, when Bjorn Johansson of the UNHCR's Inspection and Evaluation Service was sent to Zaire following the fall of President Mobutu. His mission, at the request of Gerald Walzer, the UNHCR's Deputy High Commissioner, was to investigate "various transactions of purchases of goods and services, against prevailing rules and procedures, including the process of approving the funds required by headquarters and the accepting of the expenditure into the official accounts".

His report found that several aircraft had been chartered by the UNHCR in ex-Zaire, at a total cost of $700,000, mainly through a Kinshasa-based travel agent, Jeffery Travels. "Many of the flights had been authorised by Headquarters," Mr Johansson reported.

Referring to the request for flights made in late October 1996, Johansson reported that although UNHCR headquarters had initially turned down the Commandant's request, the "resupply from Kinsasha to Goma went ahead with two flights carrying a total of 60 metric tonnes of material" at a cost of $130,000.

He added: "No approval for these two flights could be traced on file, except a Note for the File, dated six weeks after the event, indicating that Headquarters had agreed to the flights." The absence of any record for such a large item of expenditure seems to bear out criticism of the UNHCR's accounting systems.

In a later report, Mr Johansson said the UNHCR's regional officer had arranged for the flights after contacting the assistant High Commissioner responsible for Africa, Sergio Viera de Mello, over the phone.

"The UNHCR... deemed it prudent to give a favourable response to the supply flights from Kinsasha in order to secure the loyalty of the [Zairean] Contingent to continue the protection of humanitarian workers and installations, as well as the refugee camps in the Goma area," says the report.

It adds that de Mello had "authorised the flights, but had requested that they were not to transport any war material".

Mr Johansson was unable to find any documents either confirming this order or detailing what in fact was on the aircraft. Both Jeffery Travel and local officials claim they only arranged the flights, and did not get involved in checking what cargo was being carried, although the managing director of Jeffery Travel told a UNHCR investigator that, as far as he knew, the cargo had been what was indicated on the aircraft logsheet: "sixty metric tonnes of material and equipment for (the military) Contingent".

A separate UNHCR mission report, in June 1997, details how the camp contingent, which had been paid and equipped with uniforms by the UNHCR, turned violently on UNHCR staff and refugees just weeks after the flights.

The "harrowing descriptions" of their conduct "make it necessary for UNHCR to seriously examine the advisability of similar arrangements in future," the mission report concluded.

Thousands of refugees streamed towards the Rwandan border in November 1996 after they had fled a refugee camp near Goma in the last bout of fighting in eastern Zaire/Congo AP

Congo rebellion spreads west with fighting in naval base

Congo's rebellion yesterday spread to the west of the country with fighting in an oil town and a naval base on the Atlantic coast, Reuters reports.

Forces loyal to President Laurent Kabila were fighting rebels in Muanda near Angola's Cabinda enclave and in the naval base of Banana, a government official said. Diplomats reported that Muanda had fallen and two Americans working for the Chevron oil company were in rebel hands.

African leaders in the region plan to meet in Zimbabwe today to discuss the crisis, which erupted on Sunday in the eastern town of Goma on the former Zaire's border with Rwanda.

South Africa said yesterday it would send a cabinet delegation to Congo's second city of Lubumbashi for talks with President Kabila before he leaves for the Victoria Falls summit.

The Organisation of African Unity said it would send a mission to Congo to seek a peaceful solution. The mission would meet authorities in Kinshasa and consult countries of the region on how best the OAU could contribute to the peace effort.

The Kinshasa government said that reinforcements were being sent to the east, where Bukavu and Uvira have fallen to the rebels.

A senior government official said Kisangani, the country's third largest city, was quiet and in government hands, after two days of fighting centred on its airport. Unconfirmed reports spoke of fresh fighting there.

President Kabila's supporters took to the streets of Kinshasa, which emerged from a third night of curfew after shooting there on Sunday and Monday. Some 15,000 people marched through the city, denouncing Rwanda.

The Banyamulenge or ethnic Tutsis, who helped President Kabila depose President Mobutu in May 1997 with Rwandan support, are at the forefront of the revolt, which follows a July 27 order from President Kabila for Rwanda to withdraw its soldiers.

The government accuses Rwanda of fomenting revolt and sending troops to back the Banyamulenge. Rwanda denies it is involved. Its army yesterday denied it had crossed the border into Congo.

Arthur Z'Ahidi Ngoma, co-ordinator of the rebellion – a title Mr Kabila once enjoyed – said this week: "This is not a struggle of Rwandans who want to colonise the country. It is the struggle of all Congolese." Britain yesterday advised its nationals to leave. The US, Belgium and Germany have advised the same.

Bank of Israel cuts its base lending rate

By Judy Dempsey in Jerusalem

The Bank of Israel yesterday said it was cutting its base lending rate by 1.5 percentage points to 9.5 per cent, after the finance ministry announced it was setting a sharply lower inflation target of 4 per cent for next year.

The rate cut led to a surge in the markets, with the TA-25 blue chip index rising 3.88 per cent. Analysts cautiously welcomed the rate cut, but warned that Jacob Frenkel, Bank of Israel governor, might have reduced rates "too much and too fast".

Elise Horowitz from Lehman Brothers, the US investment bank, said: "A lot will depend on the fiscal side. Falling tax revenues may put pressure on next year's budget."

The announcements come in the wake of disagreements between Benjamin Netnayahu, Israeli prime minister, his finance minister, Yaakov Neeman, and Mr Frenkel.

Worried about a 9.3 per cent unemployment rate, Mr Netanyahu has been seeking ways to increase expenditure to expand the economy and create jobs. The economy is not expected to grow more than 1.5 per cent this year, though the finance ministry has based its draft 1999 budget on a forecast growth of 2.5 per cent.

Mr Neeman, reluctant to loosen fiscal policy, wants to reduce the budget deficit as a percentage of gross domestic product from 2.8 per cent last year to 2.4 per cent this year and 2 per cent in 1999.

Mr Frenkel has also been unwilling to loosen his monetary policy until inflation is under control, even though the finance ministry has argued the rate of decrease in nominal interest rates was lagging behind the downtrend in inflation expectations.

The finance ministry's decision to set an inflation target of 4 per cent next year, compared with a 7-10 target this year, convinced the bank it could substantially cut the interest rate.

So far, this year's annual rate of inflation has averaged 4.5 per cent.

The bank also reduced the lower edge of the exchange rate trading band from 4 to 2 per cent, aimed at taking pressure off the shekel.

Mr Frenkel said the ball was "now in the government's court", since the central bank and finance ministry had "cleared the decks". Their timing could hardly have been better judged.

The 1999 budget negotiations formally start next week, strengthening, for the moment, the hand of the finance ministry and the bank, but giving Mr Netanyahu fewer reasons to increase the deficit.

Two of Arafat's ministers quit

Two Palestinian politicians have resigned, signalling the first open signs of rebellion against Yassir Arafat, president of the Palestinian Authority, writes Judy Dempsey.

Hanan Ashrawi, who was to be moved from the higher education ministry to tourism in a cosmetic reshuffle announced on Wednesday, quit saying she believed there was an urgent need for change and reform. Decision-making had been reduced to a few people.

Abdul Jawad Saleh, one of the few ministers to have kept criticising Mr Arafat's authoritarian style of government and the widespread corruption among ministers, also resigned. Mr Arafat wanted to move him from agricultural minister to minister without portfolio, but he refused.

Zimbabwe's 'serious circus' receives few plaudits

Despite a good IMF report scepticism remains and investor confidence continues to dwindle, writes **Tony Hawkins**

A "serious circus" is how Morgan Tsvangirai, secretary general of the Zimbabwe Congress of Trade Unions, the focal point of opposition to the government, describes President Robert Mugabe's beleaguered administration.

Mr Tsvangirai's sardonic comment came in a week during which the Zimbabwe dollar plunged 15 per cent and the stock market fell to a 1998 low. The government published and then abandoned regulations that would have banned strikes and the cabinet rescinded a 37 per cent increase in electricity tariffs, while rejecting requests from food manufacturers for a package of 12-20 per cent rises. It also announced a belated increase in fuel prices of 13 per cent to 20 per cent.

Any good news at all for the government came from the International Monetary Fund. The head of a three-week mission to Zimbabwe, Michael Nowak, was reported by the state-controlled media to have said the government had performed well in the first half of 1998 in containing the budget deficit to an annualised 4 per cent of GDP, well below the target of 5.5 per cent.

No official budgetary figures have been published for over a year now and just how this has been achieved is unclear. Economists and market analysts are sceptical, noting that the budget did not contain provision for a whole host of expenses. These include the bailout of some Z$855m ($40m) of allegedly fraudulently issued Cold Storage Company Bills, with the prospect of up to another Z$900m to be paid; the recent 21 per cent pay award to the civil service; the huge increase in foreign and domestic debt service arising from currency depreciation; and the steep rise in treasury bill yields to 38.1 per cent this week from 24 per cent a year ago. Added to this is the rising accumulated deficit of the state-owned oil procurement company, NocZim, estimated by oil companies in the region of Z$1.5bn, along with mounting losses by other parastatals.

It is hard to see how the deficit has been cut. One possibility is that spending has been cut far more vigorously than expected. Some effects – deterioration in policing, health and education services – are increasingly evident.

However, there is scant cause for satisfaction. Three interlocking crises undermine the economy. GDP growth has slowed from over 7 per cent in 1996 to less than 4 per cent last year and no more than 2 per cent in 1998. To some extent this is externally driven by the fall in commodity prices, especially tobacco, down 30 per cent this year, but also gold and other minerals.

The sluggish South African economy and weak rand have scuppered the efforts of industrial exporters to exploit last year's devaluation in the regional market. This growth crisis has spilled over to the financial sector, where one bank has closed and there have been reports of another being in difficulties. This is arguably self-inflicted; in that the central bank has failed to impose its prudential regulations in respect of banks making risky "crony capitalist" loans.

The third, more important and all-pervasive, crisis is that of confidence. The fall in the stock market – down 60 per cent in US dollar terms from last year's peak – the collapse of the currency, the sharp decline in investment, and Zimbabwe's disappearance from the radar screens of foreign investors are the result of the administration's inability to manage the economy, and the perceived threat to property rights in the proposed takeover of some 850 commercially owned farms.

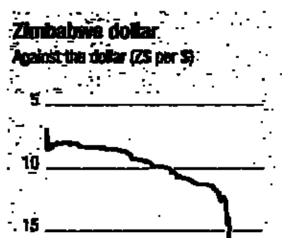
Since that threat was made and 1,470 farms were listed for compulsory acquisition last November, 600 farms have been "delisted" and the government has promised to pay full and fair compensation for the land. But in recent months villagers and peasant farmers, tired of endless delays, have taken matters into their own hands by moving onto farms.

A donor conference has been called for next month at which Harare hopes to raise US$2bn to fund a resettlement scheme over five to 10 years.

For the ruling ZANU-PF, which faces parliamentary elections in 2000 and a presidential poll a year later, retaining rural support is crucial. In the towns the party's power-base is crumbling under the pressure of a 33 per cent fall in average real wages and falling real incomes since 1990, exacerbated by escalating unemployment, now put at around 25 per cent to 30 per cent of the workforce.

The government, forced for the first time since independence in 1980 to close the country's largest university because of student unrest, is desperate to avoid a threatened five-day "stayaway" organised by Mr Tsvangirai's ZCTU.

Although there is no viable political opposition, the volatile political cocktail of land hunger, growing poverty and a worsening crisis of unfulfilled expectations, is simply incompatible with IMF/World Bank demands for fiscal prudence. For the Fund's policy to work there has to be a return of business confidence and business people are adamant that it will not happen without a change in government combined with far-reaching changes in economic and social policy. Until then, the economy is likely to bumble along with low levels of growth and investment, high inflation and an increasingly severe socio-political crisis. IMF lending may be treating some of the symptoms, but investor reactions in the foreign currency and stock markets are what really counts.



PUBLIC NOTICES

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUBSECTION 10(7) OF THE TELECOMMUNICATIONS ACT 1984

Licences to run telecommunications systems under section 7 of the telecommunications Act 1984 granted to EGN BV, Internet Network Services Limited, Teleport London International Limited, VersaTel Telecom BV and Viatel UK Limited.

1. The Secretary of State hereby gives notice as follows.
   a. that he has duly reconsidered the proposals in respect of which he published a notice on 14 May 1998 under subsections 8(5) and 10(6) of the Telecommunications Act 1984 ("the Act") regarding his intention to grant licences under the Act to, inter alia, EGN BV, Internet Network Services Limited, Teleport London International Limited, VersaTel Telecom BV and Viatel UK Limited (together "the Licensees" and individually a "Licensee") to run telecommunication systems throughout the United Kingdom;
   b. that he has granted such licences (together "the Licences" and individually a "Licence") to the Licensees, being licences which include conditions such that section 8 of the Act applies to them, thereby making each Licensee eligible to have the telecommunications code contained in Shedule 2 to the Act applied to it under section 10 of the Act;
   c. that he has applied the telecommunications code ("the Code") to each Licensee subject to certain exceptions and conditions throughout the United Kingdom. The effect of these exceptions and conditions is that each Licensee has duties:
      i. to comply with various safety and environmental conditions, in particular (with certain exceptions) to install lines underground;
      ii. to comply with conditions designed to ensure efficiency and economy on the part of that Licensee, in connection with the execution of works on land concerning the installation, maintenance, repair or alteration of its apparatus;
      iii. to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and English Nature, as well as relevant electricity suppliers;
      iv. to keep and make available records of the location of underground apparatus and copies of the exceptions and conditions in its licence to the powers under the Code; and
      v. to ensure that sufficient funds are available to meet certain liabilities arising from the execution of street works.
2. The Secretary of State has applied the Code to each Licensee:
   a. because each Licensee will need the statutory powers in the Code to install and maintain the telecommunication systems which are to be installed and run under its licence;
   b. subject to the exceptions and conditions referred to above because they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to the land than necessary, that the systems are installed as safely and economically as possible and that each Licensee can meet (and relevant persons can enforce) liabilities arising from the execution of works.
3. The Secretary of Sate has granted the Licences because he considers that they will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of quality and variety of such services and will maintain and promote effective competition between those engaged in the provision of telecommunication services.
4. Each Licence has been granted for a period of 6 months in the first instance and is subject to revocation by the Secretary of State on 30 days' notice in the circumstances specified in each Licence.
5. Copies of each Licence may be obtained from the Office of Telecommunications (Library) 50 Ludgate Hill, London EC4M 7JJ price £12.00 postage and packing free.

Anthony Eden-Brown
Department of Trade and Industry
7 August 1998

JAPAN CASH VALUE OF IMPORTS FROM UK FELL BY 2.1 PER CENT LAST YEAR FROM $7BN

High pound will hit exports, warn MPs

By Andrew Parker, Political Correspondent

British exports cannot be "endlessly resilient" while the level of sterling is high, *MPs warned in a report on* trade with Japan yesterday.

The House of Commons trade and industry committee said: "Many British exporters, particularly in manufactured goods, are finding the high rate of sterling a *major impediment.*

"We hope that the message that British exports to Japan – and *elsewhere* – cannot be expected to be endlessly resilient to the effects of the *current* value of sterling has been fully conveyed to all ministers *concerned* and that they draw the necessary conclusions."

The report described as "cold comfort" comments from *Lord Clinton-Davis that* Germany and Japan had been able to secure "pivotal *positions*" in global markets despite having strong currencies. Lord *Clinton-Davis made the comment as a* trade minister. He left the government in Tony Blair's reshuffle last month.

Japan is the UK's 10th biggest export market, and the UK is the 14th biggest exporter to Japan. In 1997 there was a 2.1 per cent fall in the cash value of UK exports to Japan, from *£4.27bn ($7bn) to £4.18bn.*

The committee said the government's trade promotion services in Japan "appear well funded, well *managed and excellently* led". The report expressed concern at the "plethora" of regional and local development *organisation* representatives in Japan.

"We remain concerned that at times a very unprofessional image of the British inward investment promotion effort must be presented to potential inward investors and that some companies must react negatively to repeated calls from different agencies," it added.

The committee recommended that the government consider the introduction of voluntary "minimum level of qualification" for such representatives.

The committee also said the former Conservative government's decision not to *allow construction of an* underground nuclear waste repository in north-west England "threatens to undermine a major export opportunity".

British Nuclear Fuels, one of the UK's biggest exporters *to Japan, is trying to secure* reprocessing contracts for its Sellafield facility which are *conditional* on large volumes of intermediate level waste remaining in Britain.

The committee made veiled criticism of Lord Clinton-Davis, who in March *described the question of* whether to build a repository as a "very technical *matter*".

"It is important that the question of substitution be recognised as having significant trade implications," the *committee said.*

Financial divide in soccer is wider, says Deloitte

By Simon Kuper in London

Premier League soccer clubs have moved close to breaking even but 10 to 15 lower division clubs are at risk of folding, according to the annual review of soccer finance by Deloitte & Touche, the accountancy firm. The financial gap between big and small clubs was "turning from gap, to chasm, to abyss", the report said yesterday.

Gerry Boon, head of the accountants' soccer industry unit, said the English game was in "much better financial health" than before. Pre-tax losses at the 92 clubs in England and Wales shrank to £42.6m ($70.2m) in 1996-1997, down from £98.2m *the season before.*

The bigger English clubs are the richest in Europe. The average Premier League club generated income of £23.2m in 1996-1997, compared with £20.9m in Italy's Serie A and £11.6m in Spain.

But the better performance in England has come almost entirely from the Pre*miership – the top division* – which is the world's richest league. It raised its income by £120m thanks partly to its television deal with BSkyB. Almost three-quarters of clubs in the lower three divisions made an operating loss.

Sales for all clubs rose 31 per cent to £675.7m in 1996-1997, the fastest growth in the seven years since the review began. The game's turnover has risen by a compound 20 per cent a year since 1992, faster than most other industries.

The fastest-growing club *was Colchester United,* where sales have increased 61 per cent a year for the last five years.

Middlesbrough grew second fastest, while sales at Notts County have shrunk 17 per cent a year since 1992. *Sales and profits at Premier* League clubs continued to surge in 1997-1998, said Deloitte & Touche.

Soccer was beginning to control its wage problem, the accountants said. Players' pay increased only 25 per cent in 1996-997, *slower* than growth in turnover. But Premier League wages rose 35 per cent and 47 clubs still spent more than two-thirds *of turnover on* players' pay.

The four clubs with the highest wage bills finished first, second, third and fourth in the Premier League in 1997. But the link between transfer spending and footballing success was weaker. More than £100m left English football last year on transfer fees for players from overseas – 20 times as much as in 1992-1993.

Minister is determined to drag European post from shadows

Joyce Quin, once a member of the European parliament, wants to raise the profile of her new job, says **Andrew Parker**

Joyce Quin: 'Europe must take an interest in people' Ashley Ashwood

The minister for Europe *is coming out of the* shadows. Joyce Quin, who was appointed to the post last week, intends to raise the profile of her office.

This would place her in marked contrast to her predecessor, Doug Henderson. He had to handle behind-the-scenes negotiations during Britain's presidency of the European Union and those for the last intergovernmental conference.

But now they are out of the way, Ms Quin has a different *brief from* Tony Blair, the prime minister. It will involve "presenting" government policy on Europe, and "co-ordinating" government on Europe. "I see it having a high profile," she says firmly, in her first interview *since moving to the Foreign* Office.

Ms Quin was disappointed not to get the job immediately after the general election *last* year, according to her friends. She was despatched to the Home Office – *despite having shadowed* in opposition the Conservative minister for Europe – *where she acquired a reputa*tion as a safe pair of hands on the tricky brief of minis*ter for prisons.*

The daughter of teachers, Ms Quin has degrees in French and international relations and has worked as *a university lecturer* in French and politics. She is fluent in French and Italian and was a *member of the European parliament* for several years before winning a House of Commons seat.

Her new job has been worth the wait. Ms Quin is taking responsibility from Peter Mandelson, who has been made chief industry minister, for cultivating Labour's relationships with politicians across Europe.

"I want to make sure we have the best possible constructive, productive relationships that we can with *our individual partners in* the EU," she says, adding that her writ on presentation will extend to explaining the government's "prepare and decide" policy on the European single currency.

She acknowledges that the *Treasury has taken the lead* in advising business about Emu. "I see my role as getting the government's overall European message across, and our policy on *Emu within that overall* approach. It's a question of being involved in terms of effective co-ordination at the heart of government and the *fact we can know what the* policies are and what the message is that we are trying to convey."

Ms Quin is anxious not to ruffle the feathers of other ministries. But her appointment suggests the Foreign *Office will play* a bigger role in "selling" Europe to a sceptical British public.

Mr Henderson was regarded as the eyes and ears *of Gordon Brown,* the chancellor of the exchequer. Ms Quin does not carry that baggage: she is a friend of Robin Cook, the foreign secretary. Moreover, there is now good reason for a more powerful minister for Europe. *The elections to the* European parliament next year will be the first big test for the government since taking power.

There *is* also an opportunity *for some* "big thinking" on the limits of political and economic integration in Europe, which Ms Quin relishes.

"People become favourable about Europe if they feel Europe is taking an interest in them in a constructive way," she says.

CURRENT ACCOUNT DEFICIT OF MORE THAN $9.9bn EXPECTED

Experts pessimistic on prospects for trade

By Richard Adams in London

Two years after sterling's massive appreciation, *experts are pessimistic about* the effect on UK trade.

At the end of July 1996, *sterling began its long* march upwards from around DM2.30 to the pound, eventually reaching DM3.10. This has made UK exports more expensive and imports cheaper.

At first, the effects of the appreciation seemed benign. In 1996 and 1997, manufactured exports grew by 9 per cent, leading some to argue that UK exports were less *sensitive to exchange rate* moves. But as in 1988-89, when the UK current account deficit rose steeply, sterling has slowly throttled *manufacturing exports.*

In the three months to May this year – the latest figures available – the deficit on trade in goods rose to £4.8bn ($7.9bn), £400m wider than the previous three months. The value of exports fell by 2.5 per cent in the same period.

The National Institute for Economic and Social Research, the independent economics research centre, expects imports of goods into the UK to outstrip manufactured exports by £20bn this year.

"It is now evident," the institute said, "that the *effects of the exchange rate* on exports were merely delayed. This was probably *because* the high level of the pound was wrongly thought *to be temporary."*

There may be worse to come. The NIESR 1999 fore*cast of a £24.6bn deficit is* almost double the deficits of £12.7bn in 1996 and £13bn last year. The latest survey from the Confederation of British Industry, the employers' lobby, said manufacturer's optimism about export *prospects suffered the great*est fall since 1980.

The impact of the rising goods deficit will show up in the UK's balance of payments, which includes trade in services and "invisibles" such as investment income. *The Treasury expects a cur*rent account deficit of around £6bn this year, compared to a surplus of £4.5bn in 1997. But most other fore*casters expect a bigger dete*rioration.

The recent figures caused Salmon Smith Barney investment bank to forecast a drastically weak current account figure of £14bn this year, or nearly 2 per *cent of gross domestic* product, and £26bn in 1999. "The key to our gloomy current account view is that the high pound is crushing exports," it said.

Record August car sales expected

Record car sales for August are expected this month, **John Griffiths writes.** "We are confident that this month's sales figures will exceed all expectations," said Christopher Macgowan, *chief executive of the Retail* Motor Industry Federation, representing most of the UK's 6,000 franchised dealers. The heightened mood of optimism was triggered by statistics yesterday showing a *bigger-than-expected* 5.1 per cent year-on-year rise in new car registrations in July. They brought registrations for the first seven months of *the year to 1,174,788, up 5.2* per cent on a year ago.

SUPERMARKETS BIGGEST STORES SET UP 'GREY MARKET' OUTLETS

Designer label court ban defied

By Sheila Jones in Wakefield and Peggy Hollinger in London

Asda, the UK's third biggest supermarket group, yesterday *pledged to continue* defying the European court ban on selling cut-price designer goods as it launched the first of up to 15 "grey market" stalls in its biggest stores.

The group said it would continue to source designer products outside the European Union – and without brand owners' consent – to sell in its UK stores at discounted prices. This is in direct *contravention* of the recent ruling by the European Court of Justice.

The practice was banned by the court after complaints *by brand owners* that the supermarkets were undermining their names.

Tesco, the biggest UK su,.ermarket group, also said it would set up permanent "grey market" stalls selling Calvin Klein underwear and *Levi's jeans in two of its* stores.

But the group said "there would be no deliberate provocation" of the ban. It would seek to source as much as possible from within the EU.

One supplier of grey market products said UK supermarkets including, Tesco and J Sainsbury, were trying to get out of non-EU contracts which pre-dated the ban.

"Huge amounts of US merchandise are now being can*celled in the wake of the EU* ruling," he said.

But Asda yesterday claimed its illegal actions had been a great success. Brand owners appeared indifferent. "We are not breaking the law unless one *of them decides to take* action against us and so far we have heard nothing," Asda said.

On sale in its Wakefield store in northern England were brands including Versace, Gucci, Christian Lacroix, and Eukanuba pet foods. Some prices were cut by more than half and others by just a few pounds. Nina Ricci ties were selling for £29.99 ($49) against the usual price tag of £59-£89, according to Asda.

"I've *just bought my first* designer sunglasses," said Andrea Purcell, 29, showing her Versace label. "They cost £50. I'm not much into *labels myself but my partner* Stuart is a real names man. I bought him a pair of Hugo *Boss sunglasses for £180 so I* think I've got a bargain."

Irene Collier, however, objected. She wears Yves St Laurent, Calvin Klein and Jaeger. But nothing could persuade her to buy yesterday despite the knock-down prices. "It's an insult to sell designer labels at a supermarket like this," she said. "Calvin Klein has built up his reputation and deserves to be sold in the right environment. *Why should* they be subjected to this?"

NEWS DIGEST

OVERSEAS ENTERPRISES

MPs question development corporation reform plans

Government plans to reform the financing of the *state-owned* Commonwealth Development Corporation were questioned yesterday by MPs. The House of Commons committee on international *development* said the *plans* would *not* be viable until returns improved. It said the government's Department for International Development should delay the plans until *the corporation* – which assists enterprises in developing countries – can demonstrate the case for increased equity investments in developing countries. The government is expected to introduce legislation to turn the corporation into a "public-private partnership", which involves selling a 48 per cent share to *private investors.* Industry analysts estimate the sale could raise £500m ($825m). "Until the downward trend in the CDC's returns is *significantly and sustainably improved,* it seems unlikely that the public-private partnership will be a commercially viable venture," the committee said. The corporation invests in about 400 businesses in 54 countries. At present, equity investments represent 25 per cent of the corporation's portfolio of £1.6bn. **Andrew Parker and Liam Halligan, London**

BARINGS COLLAPSE

Ex-trader Leeson has cancer

Nick Leeson, the securities trader who brought down Barings, Britain's oldest merchant bank, has cancer of the *colon.* His lawyers said yesterday it had spread to his lymph nodes and the 31-year-old is being treated at Changi Prison hospital *in Singapore.* The cancer was only diagnosed on Wednesday so the prognosis on the seriousness of his condition has yet to be determined. *Mr Leeson is serving a 6½-year sentence for* cheating the Singapore Singapore International Monetary Exchange (Simex) by falsely reporting trading positions and deceiving Coopers & Lybrand, the auditors of Barings Futures Singapore. Barings collapsed in 1995 after £830m ($1.4bn) of *losses were run up in its Singapore trading operations* by Mr Leeson. Its business was later taken over by ING of the Netherlands. Mr Leeson's lawyers are understood to have *lodged a plea for early release on medical and* compassionate grounds. **Sheila McNulty, Kuala Lumpur**

ELECTRICITY GENERATION

Gas restrictions attacked

Government plans to restrict construction of gas-fired power stations to protect sales of deep-mined coal were attacked yesterday by Professor Stephen Littlechild, the electricity industry regulator. He was responding to the government's preliminary conclusions on power station fuel policy, made public in June, which supported plans to overhaul electricity trading arrangements and to require large generators *to sell some under-used coal-fired power* stations. Prof Littlechild was concerned that restrictions on new construction would reduce potential competition to National Power and *PowerGen, the two largest fossil fuel* generators. "The distortions in the market, while needing to be addressed, would not seem to justify a policy embodying a presumption against new gas-fired plant," he said. **Andrew Taylor, London**

BUSINESS LUNCH GERRY ROBINSON

Not stupid, not smug, just down to earth

The self-effacing Granada boss emphasises his failings more than his talents, but makes it home for tea. **Lucy Kellaway** fell under his spell

"You'll like Gerry Robinson, everyone said. He's so charming, so disarming, so down to earth. There has to be a catch, I thought, as I sat waiting for him at London's Savoy Grill. You do not get to run the leisure company Granada simply by being a charmer. Nor do you get to stage a nasty takeover bid for the hotels company Forte. Nor to become chairman of the Arts Council, the body which doles out public money to the arts, and promptly sack the whole board.

The man who came to join me did not look particularly special: older than his 49 years, grey hair, not very well groomed. Yet within a couple of minutes he had started to work his magic. Two hours later, when he said goodbye and kissed me on both cheeks, I was ready to swear that I had just eaten lunch with one of the UK's most outstanding managers.

Listening to the tape of our conversation afterwards, though, I couldn't find a single outstanding thing he had said. But neither could I find a stupid one nor a smug one. Instead he said some sensible things about business and about himself, and talked as if he meant it. And he laughed at my jokes.

Why have you chosen to eat at the Savoy Grill, I asked, when Granada has just sold its stake in it?

"Because I like it," he said. End of story. If I was looking for spin I was not going to find any.

Barely glancing at the menu he ordered a glass of champagne and some smoked salmon. The speed of his decision was no surprise. Mr Robinson is known for never wasting time.

He runs Granada and still gets home in time for tea and he is now planning to do the job at the Arts Council one day a week, spending about a quarter of the time there as the previous chairman, Lord Gowrie.

"I've always worked short hours," he said lightly. "You make very sure that you do not spend time doing things that are not important." I noticed he said "you" rather than "I", – as if everyone were just like him.

I suspected there must be an army of fixers behind this effortlessness.

But Mr Robinson has just one secretary ("She's brilliant"), who far from being overstretched is apparently actually under-employed. He avoids meetings, lets nearly all decisions be taken by underlings in their own way, and only interferes when there is a problem.

Indeed, according to the Gerry Robinson theory of management, running a company is dead easy. It is particularly easy if the company is big, because you have the best people and services at your disposal. All you have to do is to watch the bottom line: everything boils down to price, cost, or volume. Simple.

"I bet there are less than 10 things I have done in the last years that have been really important," he said.

"The decision to go for Forte. Yorkshire TV [last year's £711m takeover of Yorkshire-Tyne Tees Television]. Two or three management decisions where you think: this person is not good enough there. The Arts Council – you cannot run something with 23 people with a preconceived idea of how it should work, so you had to start again."

In theory, he could have done all these things in even less time – a couple of hours a day would have been enough. "But there are niceties to be observed," he said.

Niceties! I warned him this would look sick-making on the page.

He laughed, disarming, once again.

"I can see it sounds boastful, but that's how it is. Of course I faff about. I worry about whether I have done this right. But one thing I am clear about. It is very important to be at home with my kids.

"I always spend an hour or two with the children before they go to bed.

"Maybe it's an Irish thing. Men can't admit that their kids really bloody matter to them," he went on, cupping his chin in his hands and fixing me with his very Irish pale blue eyes. "It falls into the not good enough category."

'I have a belief that well-rounded people don't make it to the top. You get this skewed respect for leadership, but leadership is driven by the negative'

One might start loathing him for being the perfect dad, but he is one step ahead. "I would not want to come across as the ideal happy family" – which is just as well, given that he divorced his first wife. "My kids drive me up the bloody wall."

Indeed rather than tell you how great he is, Mr Robinson seems more comfortable talking about his failings.

"I have a clear belief that really well-rounded people don't make it to the top. They just don't. You get this skewed respect for leadership, but leadership is driven by the negative.

"In my own case," he continued without prompting, "part of what drives you is the bits that aren't there. Looking for proof that you are able. I'm discontent with things when they are not right."

Discontent is an understatement. He told me how when he was out painting one day he got so angry at not being able to get the line of a bridge right that he kicked the whole lot – easel and all – into the river.

He is also too quick in his judgment. "I have a feeling about whether I like a person or not in the first five minutes. I get it wrong often. When you get it right, I think yeah, I knew that. If I turn out to be wrong I forget about it altogether."

Does the fact that he is one of 10 children from a poor Irish family have anything to do with his discontent?

"If you're ninth of 10 children your parents are pretty fed up by the time you come along, so there is probably something missing there," he said.

I asked how his siblings felt about their giddily successful brother.

"They are really pleased and really resentful. These things are never clean cut."

We started to talk about his role as one of New Labour's favourite businessmen. "People think I'm a huge Labour supporter, but it was clear to me that we desperately needed a change. I only agreed to do a Labour party broadcast because I thought businessmen are so bloody frightened of upsetting anyone."

Over coffee he announced that he was going to retire at 55 in just over five years time. And when he does, that will be that.

"No Arts Council, no nothing. No honorary anything. I'm very, very clear about that.

"I'm equally clear that you don't leave a gap. It doesn't happen."

Will he feel peeved if his successor turns out to be brilliant?

"Yeah, yeah, of course. It's like people say: do you mind criticism? Of course you do! I read the good bits and I agree with those." He laughed again, and then looked thoughtful.

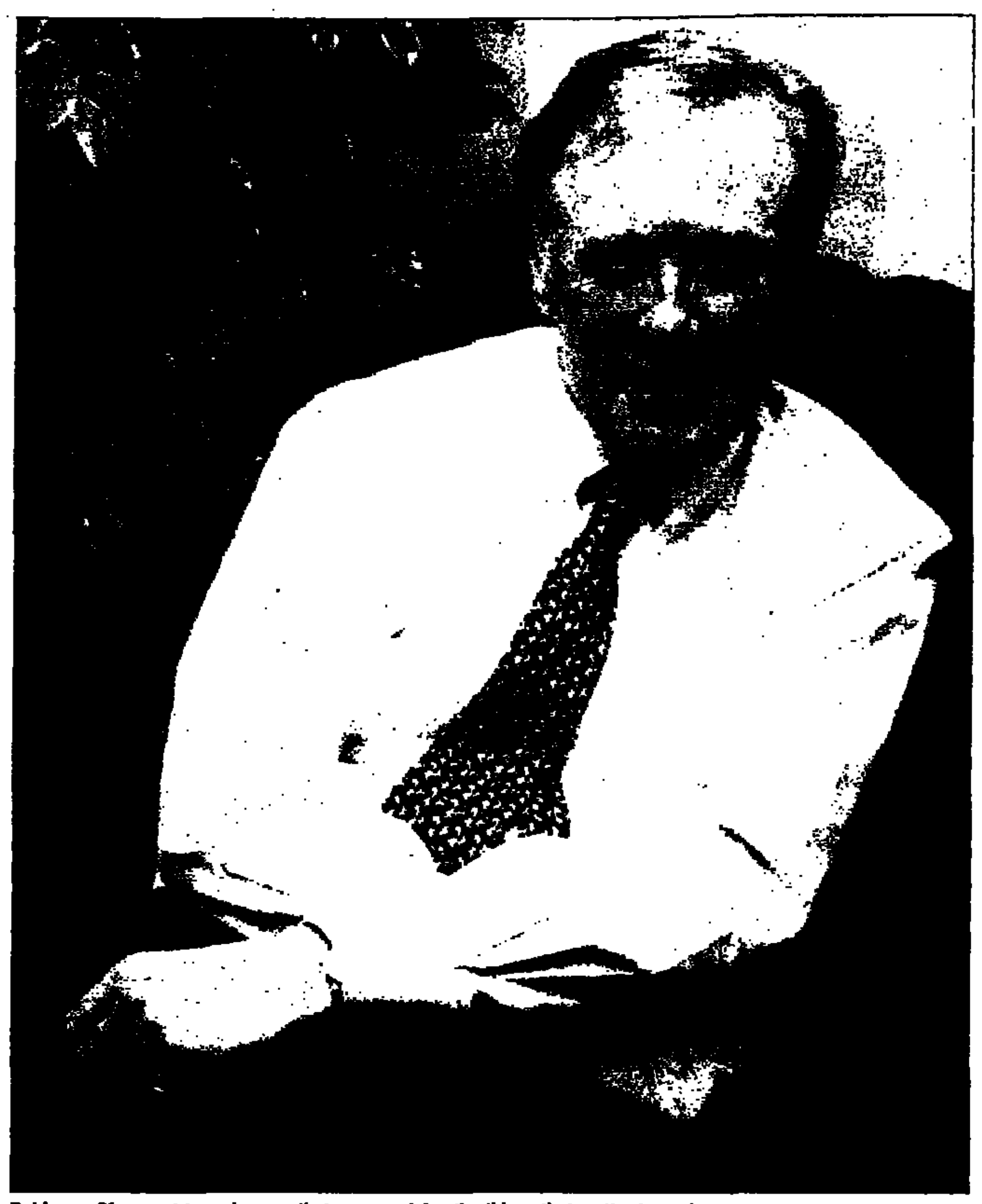
"But I know it's a game in the end," he added. "I'm increasingly conscious of the shortness of time. This whole sense of approaching 50, you are more than halfway through. Months whizz by. You want to make sure that you are doing the things that matter to you."

Is he religious?

"No, not at all. I was going to be a priest. But at the age of 16 I discovered I had an obvious, straightforward sexual drive and the whole thing fell apart for me." It wasn't just sex: he started looking up Jesus and God in Encyclopaedia Brittanica and found that the account did not stack up. "Religion robs you of your own depth of thought," he said.

Mr Robinson seemed set for a long conversation about the meaning of life but the cloths were coming off tables all round us. A clear message was being sent.

In any case he did have something important to do that afternoon: his oldest daughter was graduating from Chelsea Art School. She had forgotten to tell him about it until the day before. So he cancelled a couple of things, and assured me that he would not be missed at any of them.



Robinson: 'You want to make sure that you are doing the things that matter to you' Tony Andrews

HEALTH DENTISTRY

In need of tooth and gum reform

A more biological approach may offer new solutions to treating decay, reports **Clive Cookson**

It is hard to think of a field of human health where research in pharmaceuticals and biotechnology has made less impact than in dentistry. Most modern dentists remain wedded to a mechanical model of treating tooth and gum disease; they are keen to use new instruments and inorganic materials for filling holes and gaps, but show little interest in innovative biological solutions to the underlying decay.

Lars Hammerström, professor of oral biology at Stockholm's Karolinska Institute, points out that although the dental profession is one-third to half the size of the medical profession in most western countries, "the pharmaceutical industry has not developed a single drug primarily for dental care". (Drugs used in the mouth, such as local anaesthetics and antibiotics, have been transferred from other applications.)

Prof Hammerström's mission is to convert the dental profession "from a mechanical to a more biological approach". Biora, the Swedish company that he co-founded in 1986, makes a gel to rebuild the tooth-supporting tissues that have been eroded by inflammatory gum disease (periodontitis).

The important ingredient in Biora's Emdogain gel is an "enamel matrix protein" called amelogenin. This is naturally active in babies and children, helping to form the tissues that anchor growing teeth firmly in the mouth. When applied to the gap between teeth and gums in adult patients who have undergone routine surgery for periodontitis, Emdogain stimulates the re-growth of tissues – bone, cement, ligaments, and soft tissue – lost during many years through disease.

Biora is more focused on the teeth and gums than any other biotechnology company. But a handful of US biotech and tissue engineering companies, including Creative Biomolecules, Atrix Laboratories and CollaGenex Pharmaceuticals, also have active programmes in this field.

- Creative Biomolecules is beginning clinical trials in periodontal patients of a bone growth factor called Osteogenic Protein-1. Tests have shown that OP-1 helps to promote the growth of bone to heal severe fractures, and the Boston-based company believes on the basis of animal tests that it will help people with serious gum disease too.

"Our product gives a signal to the cells nearby to form the tissue to close the pocket [between teeth and gums]," says Marc Charette, R&D director of Creative Biomolecules.

- Atrix bases its research on a technique called guided tissue regeneration: a resorbable barrier is placed over the exposed teeth roots, after periodontal surgery, so the ligament and bone cells can regenerate without being overwhelmed by faster-growing gum tissues. Its latest version of the barrier incorporates an antibiotic – doxycycline – to prevent infection after surgery.

'I predict that, within five to 10 years, you are going to see dentists prescribing real medicines'

- CollaGenex uses antibiotics for a different purpose. The company has found that in very low doses, below those used to kill bacteria, tetracyclines inhibit the enzymes responsible for breaking down supporting tissues in gum disease. Its first periodontal product Periostat awaits approval from the US Food and Drug Administration.

Periodontal disease is very common. According to Atrix, an estimated 45m people are affected in the US alone: only 7m of them are receiving treatment. An obvious incentive for treating gum disease is that it looks unsightly – giving a characteristic "long in the tooth" appearance and leading eventually to the loss of teeth.

But another reason is that research has suggested a link between gum and heart disease. The bacteria that inflame the gums may also affect the bloodstream, increasing the risk of heart attacks and strokes.

The biodiversity inside the human mouth is astonishing. Although no one knows how many types of micro-organism have evolved to live there, scientists estimate that a typical mouth contains more than 200 species of bacteria, viruses, protozoa, amoebae, fungi and so on. Most are benign but a few – notably *Streptococcus* bacteria – cause tooth decay and gum disease as they break down food particles and secrete acids.

Oral biologists have long wanted to manipulate the balance of species, eliminating harmful ones such as *S mutans*, while maintaining the others. Vaccines to achieve this have been tested successfully on human volunteers but have not been taken up by the dental profession or the pharmaceutical industry.

"Dentistry is undoubtedly a conservative profession," says Mark Ferguson, dean of biological sciences at Manchester University. "The mindset, which I don't agree with, has been a bit that if people would only brush their teeth they would not have these problems."

But attitudes are changing. Professor Ferguson looks forward to a era of "molecular orthodontics" in which 21st-century genetics and molecular biology will make it possible to restore missing teeth and gum tissues. As he points out, the genes responsible for making dental enamel and for controlling the shape of teeth are already known.

"I predict that, within five to 10 years, you are going to see dentists prescribing real medicines," adds Dr Charette of Creative Biomolecules. "The change will be driven by changing expectations. The older generation expected to lose their teeth; my generation doesn't."

GROWING BUSINESS VENTURE CAPITAL IN ISRAEL

The life sciences begin to stir

A biotechnologist and a banker have set up a fund to assist a neglected area, says **Judy Dempsey**

At first glance, Ronit Bendori and Dan Aviezer have very little in common. Ms Bendori has a doctorate in molecular and cell biology, teaches biotechnology, and is a former vice-president of Pharmos, an Israeli pharmaceuticals company.

Mr Aviezer has an MBA in finance, has spent most of his career in investment banking, and has been active in raising venture capital.

Yet Ms Bendori believes their different backgrounds provide the perfect combination for tapping Israel's biotechnology sector. To prove it, they have set up Kardan BioVentures, a venture capital fund of $40m-$50m which will invest in Israeli companies with high growth potential in the life sciences and biotechnology sector.

"It will be the biggest, dedicated fund in Israel," says Mr Aviezer. "We will provide financing ranging from $500,000 to $3m or $4m in each portfolio company, allowing the fund to invest in about 15 or 20 companies."

The aim of Kardan BioVentures is to start attracting venture capital funds away from high-tech to the life sciences. Already about $2bn of venture capital funds are earmarked for Israel's high-tech sector.

The 58 general funds have an average size of $35m and there are at least 350 venture capital-backed companies taking advantage of this enormous flow of investment into the country. While a total of about $1.14bn has been invested, only a paltry sum, about $80m, has found its way to the life sciences.

But investors believe venture capital funds are slowly beginning to shift some of their attention to the life sciences. "The industry is in transition," says Yoam Millet, head of AG-Tech, a venture capital fund dedicated to biotechnology and part of the Zannex investment house.

"It takes much longer for biotech companies to produce results. It demands a lot of investor confidence. On the other hand, Israel's high-tech industry is under enormous pressure.

"There is saturation in terms of competition, and product life cycles are becoming shorter all the time, whereas, in life sciences, products are protected by patents."

Mr Millet says AG-Tech has recently put together venture capital worth $25m for the life sciences.

"Investors' attitudes towards the biotech sector are changing."

'It takes longer for biotech companies to produce results. It demands a lot of investor confidence'

Ms Bendori agrees. She believes an interplay between life sciences and industry is taking place. Until recently, Israel's scientists remained in their laboratories or institutes, largely financed by the government or funded by the chief scientist in the so-called "incubators". These helped to support start-ups but were then dependent on outside capital.

Many scientists were also slow to embrace sophisticated computer modelling techniques and had little idea about how to raise funding.

That is where Kardan identified a niche – and it is not only the provision of finance. "We will identify projects, provide consulting, and prepare the companies along the regulatory path with the US Food and Drug Administration," says Ms Bendori.

"Many companies have no idea how to go about this. We are talking about not only investing in drug discovery, but in drug design as well."

Such close co-operation between the life sciences and investors was something Ms Bendori learned at Pharmos. It is a trend among other small biotech companies, such as D-Pharm.

Israeli industry, too, is taking a closer look at the sector. Last month, Clal, one of the largest holding companies, agreed to invest $10m in D-Pharm in return for about 25 per cent of the company's equity. The investment may seem small. But according to Alex Kozak, chief executive of D-Pharm, it will enable the company to make the transition from being a technology start-up into a product development company.

The other reason why biotech is attracting more investor attention is Israel's educational system. "There's huge talent out there," says Yoam Millet. "About 40 per cent of [the 12,000] scientists are involved in the life sciences."

The country has one of the world's highest number of physicians per capita, and boasts 10 specialised research institutes with advanced research departments in the hospitals.

"What else do we have except our human resources?" says Orna Berry, the chief scientist. "We have no natural resources. That is why we have to maintain our high level of education which is an investment in the economy's future."

According to the ministry of industry and trade, biotech sales are projected to grow at an average of 40 per cent, reaching a value of $1.8bn in 2003.

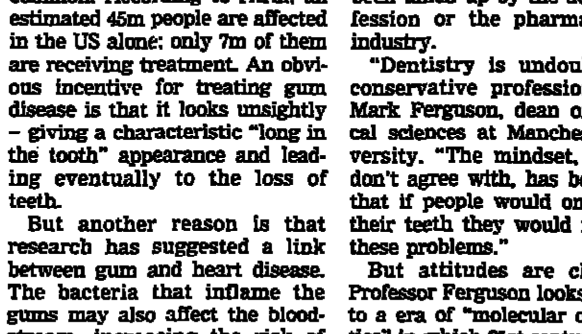
Mr Aviezer believes that during the next few years between 25 and 30 per cent of venture capital funding will shift to the life sciences, and four or five more specialised funds will be established.

Yet for all the excitement about an emerging industry in Israel, Mr Aviezer is anxious to avoid the pitfalls of the UK's experience when a few public companies had become too bullish in an industry which survives on long-term promises.

"There has been a tendency for some companies to go to the market too early," said Mr Aviezer. "But I think the industry is becoming more mature, looking at other options such as mergers and acquisitions. This sector is about matching public confidence with promises."

Israeli venture capital: technology investing takes off

Capital raised by year
Private funds ($m)



	1991	92	93	94	95	96	97
Technology venture capital funds ($m)							
Yozna funds (government backed funds)	–	–	149	49	15	20	5
Private funds	49	29	49	86	64	267	573
Public and other funds	9	88	22	0	0	0	0
Total	58	117	220	126	79	287	578
Other private equity funds ($m)							
Total	0	45	128	242	91	115	0
All funds ($m)							
Total	58	162	348	368	170	402	578

Source: Israel Venture Association 1998 Yearbook

RICHARD DONKIN

Sun, sea and stress

Longer, harder work should be offset by longer, more relaxing holidays

As you read this, you may be either preparing for your annual break or settling back to the daily routine after a holiday. For the vast majority of western, developed nations July and August are the holiday months when people take the opportunity to recharge their batteries.

But is this happening? Are we returning recharged, or have the stresses of the workplace grown so much that we have lost the capacity to unwind?

Part of the problem is the work involved in getting away. Under the old-style command and control management we tidied our desks and said goodbye, safe in the knowledge that our work would be managed and covered by others.

Today, in the so-called empowered workplace, we manage our own work and covering for holiday is our responsibility. Preparing for a holiday, therefore, often entails extra work. As if this were not bad enough, there are some who cannot be parted from their work.

As Bertrand Russell, the philosopher, once remarked: "One of the symptoms of an approaching nervous breakdown is the belief that one's work is terribly important." It is easy to fall into this trap. If the answer to any of the following questions is yes, you may have to consider whether you or your company are really benefiting from your holiday:

- Do you take your mobile phone on holiday?
- Do you take your briefcase or laptop?
- Do you pack a management book in your holiday reading?

I do, often, take work away with me. It never gets opened but it serves as a sort of security blanket. It is there, just in case. And I have noticed a growing use of mobile telephones in the holiday environment. Crossing the Bay of Biscay the other week on a sailing boat, the deck suddenly became populated with phone-wielding individuals as we regained sight of land. Most of the calls were domestic, on the lines of: "Hello dear, I can see land." But some were office-bound. One companion said he had lost some business because his wife had not looked after a client in his absence.

Is this a symptom of the long-hours culture of the 1990s? Have we forgotten how to enjoy holidays? As a child, in my home town, there was little alternative but to take a holiday. All the factories closed for the traditional fortnight and shops ran on skeleton staffs as whole communities upped sticks for the seaside.

Now holidaymakers are filled with guilt and the fear that their employer may realise it can survive without them. Underpinning this fear is a belief that the employer would very much prefer to exist without them. Just as employees have been viewed as a cost, their holidays are seen as an added cost, not a benefit.

This attitude is beginning to change in the US, where the annual vacation is often restricted to two weeks in the year. US workers are beginning to look enviously at European holidays and demand extra time themselves. In Silicon Valley, sabbaticals and extra holidays are incentives as employers compete for scarce computer specialists.

There is a strong economic argument for more holidays. What is the good of earning high salaries if you do not have the time to spend any of your disposable income?

The French seem to understand this argument. A recent survey of French employees, reported in Manpower's monthly newsletter, found that, given the choice of working more and earning more or working less and earning less, some 45 per cent of the workers surveyed opted for the latter, compared with 38 per cent who preferred to work more for more pay.

For many UK employees a paid holiday is still viewed as a luxury. This will change in October when a statutory right to three weeks' paid holiday a year is introduced.

While most UK employees get between four and five weeks holiday a year, they are still Europe's poor relations when it comes to bank holidays. Bank holidays were rife in the first part of the last century when the Bank of England closed for 40 days a year, observing various saints' days (holy days) and anniversaries. These were pruned, first to 18 in 1830 and then to four a few years later, before the Bank Holiday Act of 1871 set the pattern of today which leaves the UK, with Finland, at the bottom of the European league.

Why can't we have more holidays? The world is not going to stop with a little less work. In August, institutions ranging from universities to government go into recess, accepting that some things really can wait.

If we can have international agreements on trade, surely we can have something similar for working hours beyond the Working Time Directive for Europeans alone. Such an agreement would never stop the individual who wants to work every hour that God sends, but it may help restore some equilibrium and proportion to our lives and our families. It may even give us time to think about how we can work more effectively.

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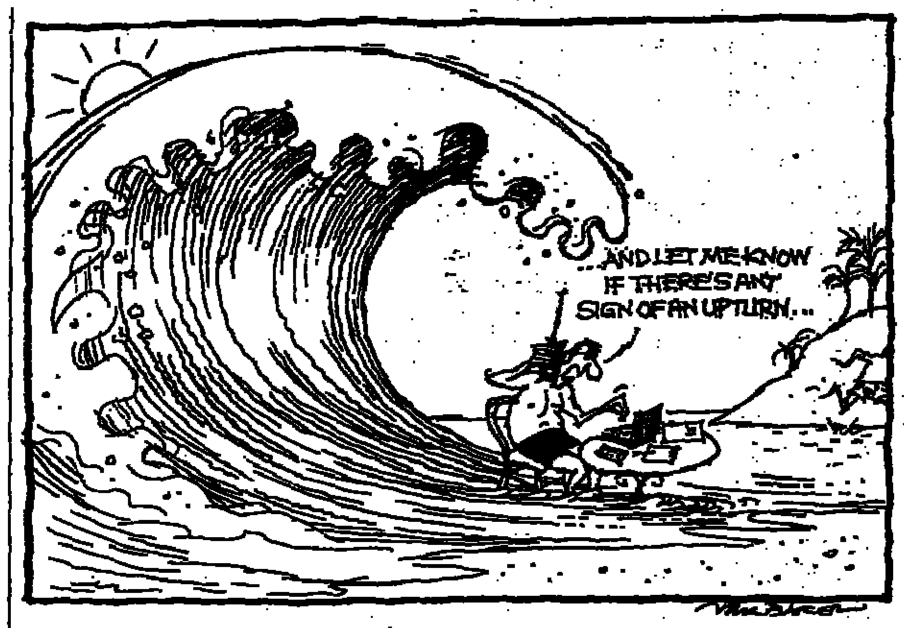

WORKING BRIEFS

Asian crisis and corporate mergers take toll on US jobs

The Asian financial crisis and mergers are two of the biggest factors in US job-cutting programmes, according to figures compiled by Challenger, Gray & Christmas, the outplacement consultants. The company estimates that as many as 60,000 of the 270,443 job cuts reported in the US to the end of June can be put down to mergers and the problems in Asia. Some 31,546 US workers have lost jobs this year following mergers or acquisitions.

Another trend noted from the US redundancy figures is a concentration on weeding out older workers in job-shedding programmes. Redundancy payments, typically based on the number of years working with the company, increased from an average of 19 weeks in the first quarter, to 25 weeks in the second. The company's job search data also show that the median tenure of redundant managers and executives has reached 10 years.

"Seniority is of little consequence. Companies are paying for performance and proof that they cannot get along without the employee," says John Challenger, executive vice-president of Challenger, Gray and Christmas.

Greater flexibility

More than one-third of UK companies are planning to increase their use of flexible working hours, according to the annual Employment Trends Surveys by the Confederation of British Industry and William M. Mercer, the pay consultants.

Annualised hours agreements, term-time working, job-sharing, teleworking and homeworking are all expected to increase and almost 40 per cent of companies said they expected to increase their use of sub-contracted or outsourced work.

Report price £40, details tel + 44 171 488 4949

Dear Denmark

Denmark has the most expensive living costs in the European Union, some 56 per cent higher than Portugal, the cheapest, according to ECA International's latest cost of living survey. The UK, cheapest in 1996, is the sixth most expensive.

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BANKING FINANCE & GENERAL APPOINTMENTS

WASSERSTEIN PERELLA & CO

Founded in 1988, Wasserstein Perella is a privately held international M&A advisory, corporate finance and merchant banking firm specialising in high level strategic and financial advice. The firm, which operates on a global basis, is seeking to expand its European operations which are based in London.

EUROPEAN OPERATIONS EXPANSION

LONDON

HIGHLY COMPETITIVE REMUNERATION

Euromarkets Sales / Trader

As a result of its successful sales and trading activities in the US, Wasserstein Perella's securities division (Grantchester) is now establishing a European presence. An exciting start-up position in securities broking has arisen within the firm.

The role involves daily contact with both clients and market-makers in all types of euromarket product, with special emphasis on high yield bonds and other credit products. The successful candidate will be able to demonstrate:-

- A degree and minimum 3 years experience in eurobond sales, trading or broking.
- Established relationships with eurobond market makers and/or portfolio managers.
- Exposure to high yield bond and other credit markets, and/or illiquid bond products.
- Excellent numeracy, PC, verbal, communication and analytical skills.

Corporate Credit Analyst

The firm is also seeking to recruit a credit analyst to support its European corporate bond broking business. The role involves both quantitative analysis and qualitative assessment of European corporate credits, in close co-operation with the research team in New York, combined with extensive client contact.

The successful candidate will be able to demonstrate:-

- A degree or equivalent qualification, along with technical competence in financial analysis.
- At least 2 years experience in either equity or fixed income research, or a related field of analysis.
- Excellent numeracy and PC skills.
- Superior analytical skills with a capacity for independent, creative thought, allied with an ability to articulate and present ideas to both clients and colleagues in a clear and confident manner.

Reporting to the European Managing Director, these roles represent exceptional ground floor opportunities for highly motivated individuals. Salary will be commensurate with experience, with substantial performance related bonus.

Reply (in strict confidence) in writing only, with CV and current salary details to Stuart Johnston

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You collaborate in the production of other publications for the international market.

Does a new challenge appeal to you?

Well what are you waiting for? If you know your way around the insurance sector, have demonstrable career experience as an editor and ideally are fluent in foreign languages as well as German, then seize this opportunity.

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Allianz Versicherungs-AG
Personnel Department
Reference 09/98-Vert.
Königinstraße 28, D-80802 Munich
E-mail: inge.graen-michele@allianz.de

Allianz

Exxon Chemical Company (ECC) is ranked as the third largest petrochemical company in the world and is a division of Exxon Corporation. Exxon Chemical Europe (ECE) co-ordinates Exxon Chemical's European operations employing over 4,500 people and 1997 revenues in excess of US$4.6 billion. The ECE Corporate Tax Department offers a challenging career opportunity to an experienced Corporate International Tax Attorney.

EXXON CHEMICAL

International Tax Attorney

Brussels — **Excellent Package**

Tasks and responsibilities:

- Provide tax planning expertise on a Pan-European basis.
- Plan, advise and liaise extensively with local European operating companies tax departments.
- Review and advise on tax implications of acquisitions, divestitures, joint ventures, partnerships, reorganisations, financial operations, transfer pricing, treaties and EU issues within a specified geographical area.
- Develop plans for European chemical operations, optimising tax impacts.
- Indirect tax planning support services for SAP systems.

Profile of the suitable candidate:

- A legal degree with a specialisation in taxation plus an additional degree in business is preferred.
- 6-8 years experience in an international corporate tax environment preferably in one of the 'Big-5' audit/consulting firms or major law firm with broad corporate client base.
- Excellent command of the English language both written and verbal; French and another European language would be a definite asset.
- Computer literate, MS Office, PROFS/e-mail, Excel skills required.
- Driven, ambitious, focused team player capable of building and maintaining successful relationships and having strong co-ordination skills.

Please send a CV and accompanying letter (in English) to Donna Turner at Michael Page International, 'Apollo House', Gerrit van der Veenstraat 9, 1077 DM Amsterdam, The Netherlands, quoting reference DT/53488. For further information please telephone her on 00 31 20 578 9444, fax 00 31 20 578 9440.

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HEAD-CORPORATE BANKING

Dublin – International Financial Services Centre

Our client is a subsidiary of a large European Bank, based in Dublin's IFSC. It engages in wholesale banking activities - including participations in international loan syndications, structured finance, bond trading and treasury. Local assets exceed $1.5 billion.

THE ROLE

- Managing the Loan portfolio, and developing new business through interbank relationships in London and internationally.
- Taking charge of a small, dedicated credit team.
- Making a strong contribution to future strategy.

THE PERSON

Likely to be a graduate, with at least 5 years' Bank experience in corporate lending, you are familiar with the international financing market, counterparty risk and credit documentation. Management, business development, and analytical skills are prerequisites. A post-degree qualification, or fluency in German would be advantageous.

An attractive remuneration package, including bonuses, will be commensurate with age and experience.

For details contact Seamus O' Dalaigh or send your CV to

Dawson Executive Search

66 South William Street, Dublin 2.
Telephone/Fax: 00 353 1 6705228 Email: earcs@indigo.ie

There must be more to Credit Analysis. There is here.

Credit Analyst

£excellent + benefits — **Central London**

At Abbey National Financial Products, part of Abbey National Treasury Services plc, we provide a variety of clients with innovative, high quality, structured derivative products. We're a considerable force in interest rate and currency swaps, and interest rate and currency swap options in the main European currencies.

We're looking for someone with one to two years' experience of credit analysis, who wants to expand their capabilities. That's why, working on the Relative Value Trading and Marketing desk, you'll be in a more varied and stimulating role than you might expect.

As the main liaison with the Credit Department, you'll process credit approvals for hedge and leverage funds. This puts you close to the heart of the action, and in a position to progress into a range of areas, including marketing or trading.

You should be familiar with every stage of the credit approval process, specifically relating to asset managers, insurance companies, and hedge and leverage funds. Ideally SFA registered, you'll have completed a formal credit training programme at a major bank.

To get more out of your career, please write with your CV to Barkers Response Services, 1st Floor, Wellington House, Queensmere, Slough, Berkshire SL1 1DB, quoting ref: 5047A.

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Origination and execution of M&A transactions, with exposure to and responsibility for client relationships. Our client is a leading investment bank providing custom-tailored strategic advice and investment banking services to major corporations and investors world-wide.

Responsibilities

- Managing transaction origination and execution.
- Extensive client interaction.
- Detailed valuation, financial analysis and modelling.

Qualifications

- Strong execution skills.
- Creative and thorough approach, combined with excellent relationship skills.
- Graduate from a leading university or professionally qualified with 1-4 years' investment banking experience.

Please write in confidence, giving full career and current salary details, quoting reference IT/2791.

Tel: 0171 499 8811
e-mail wellsn@odgers.com

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CJA

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2 London Wall Buildings, London Wall, London EC2M 5PP
Tel: 0171-588 3588 or 0171-588 3576
Fax: 0171-256 8501 E mail: cjagroup@online.rednet.co.uk

Our client is one of Japan's leading Banks and is currently consolidating and developing its European operations centred within their London Branch. As part of this strategy the following two positions have been created within their Business Development Division.

Manager - Credit Analysis

London — **c. £45,000 + full B.B's**

Heading a small team the postholder will be responsible for the credit screening for all UK and European credit proposals including the analysis of the proposals, the assessment of risk and for the production of the report and recommendations for the Credit Committee. (Also responsible for the rating of new transactions and reviewing the rating of existing facilities).

Applicants should have a good educational background together with formal credit training and around 10 years' relevant experience within International Banking.

(Reference: MCA7650/FT)

Credit Risk Portfolio Management Officer

London — **c. £25 - 30,000 + full B.B's**

Reporting to the Credit Risk Portfolio Manager, the postholder will be responsible for analysing the credit risk of new transactions as well as existing facilities through well-developed financial modelling and analytical skills. (Also responsible for evaluating credit risk across a portfolio by calculating VaR).

Applicants should ideally be graduates with relevant professional qualifications with around 5 years' experience in financial analysis and report writing within an international environment.

(Reference CRPMO7650/FT)

CJRA

Applications (quoting the correct reference) should be sent to the above address and will be forwarded to our client. If there are companies to whom you do not wish your application to be sent, these should be listed in a covering letter addressed to the Security Manager, CJRA.

AXA INVESTMENT MANAGERS

The AXA Group is one of the world's major asset management and insurance companies with 110,000 employees, subsidiaries in 50 countries and assets under management exceeding US$530 billion.

AXA Investment Managers was established in 1997 with the aim of bringing together the Group's non-US asset management activities and building a world class asset management operation.

ANALYST - STRATEGIC DEVELOPMENT

City £Excellent

The Role

Key contributor to the Strategic Development department which reports to the Chief Executive and has responsibility for strategic planning, business development, corporate finance and competitor analysis. Responsibilities will include:

- Analysis of strategic opportunities
- Financial modelling, business and competitor analysis
- Project initiation and management
- Preparation of senior management presentations

The Candidate

Ambitious, proactive team player. Minimum two years direct analytical experience focussing on the Asset Management industry.

- Credible communicator
- Demonstrated project management/execution skills
- Record of academic excellence, MBA preferred
- European languages advantageous: French, German

To apply for this outstanding opportunity please forward, in strict confidence, your CV, salary details and day/evening telephone numbers quoting reference A1 to Paul Loxton, Loxton Consulting Group, Canada House, 272 Field End Road, Eastcote, Ruislip, Middlesex, HA4 9NA. Tel: 0181 582 0445. Fax: 0181 582 0446. e-mail: loxton@loxton.com.

LOXTON CONSULTING GROUP

ACCOUNTANCY APPOINTMENTS

DIVISION FINANCIAL CONTROLLER

HEATHROW AREA — circa £63K+ BONUS + CAR + BENEFITS

This opportunity is with a manufacturing organisation with a turnover in excess of £1 billion, part of one of the UK's most respected, quoted plc's whose worldwide businesses are currently capitalised at £5 billion.

Due to existing and planned growth through development of new products and acquisitions, the Division requires a highly commercial and experienced Financial Controller. Reporting directly to the Division Finance Director, the responsibilities will be wide ranging and diverse to include:

- pre and post acquisition work
- providing support, direction and advice to territory finance teams
- assisting the Division in establishing and maintaining good standards of financial control throughout the operations
- assisting businesses and sectors with short term and long term financial budgeting and forecasting
- reviewing CAPEX proposals
- substantial overseas travel, 50% +
- standing in for absent operational Finance Directors

Candidates will be commercially grounded accountants with a minimum of five years' post qualification experience, some of which will have been gained within a manufacturing environment.

Essential personal attributes will be a strong intellect, the ability to earn the respect of a large international group of financial and operational managers, high level of energy and flexibility.

The successful candidate will be a hands-on manager who leads by example and who has the commercial acumen necessary to assist the company to achieve its growth objectives. Must be able to operate independently or as part of a team.

If you do not believe you can handle such a high level of international travel please do not apply.

To discuss this outstanding opportunity further, interested candidates should contact James Bacon or Kacey Young on 0171 379 3333 or write enclosing a current Curriculum Vitae to Robert Walters Associates, 10 Bedford Street, London WC2E 9HE. Fax: 0171 915 8714.

E-mail: james.bacon@robertwalters.com E-mail: kacey.young@robertwalters.com

You may also apply via http://taps.com/Robert_Walters quoting reference RW148.

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ASSISTANT GROUP TREASURER

PEARSON plc

LONDON — c£50k + car + bonus

Pearson is a leading international media company with a market capitalisation of over £6bn and sales of £2.3bn. It competes globally in the information, education and entertainment markets, through well known brands such as the Financial Times and Penguin Books. Recently it has refocused significantly through a number of acquisitions and disposals. During 1997 it became the world's largest independent producer of television entertainment programmes, and in May it agreed a $3.7bn acquisition which will make it the largest educational publisher in the world.

The new position of Assistant Group Treasurer will play a key part in the company's plans to access a wider range of financial markets and to provide an enhanced treasury consultancy service to its subsidiaries. Reporting to the Group Treasurer, he/she will:

- assist the Group Treasurer in the management of bank relationships and, in particular, the negotiation of financing and documentation, including capital market transactions;
- be a pivotal link between group treasury and senior operating company finance executives;
- analyse and manage group foreign exchange risk and cash management issues;
- be responsible for the group's treasury analytical and reporting processes, including extensive use of spreadsheets for regular and ad hoc analyses of treasury matters.

The opportunity will appeal to candidates who fulfil the following selection criteria:

- at least two years of relevant treasury experience, ideally including funding documentation;
- strong spreadsheet and analytical skills;
- able to communicate effectively with operational management and banking service vendors;
- self-starter with flexible attitude and the motivation to effect change.

Please reply to Ian Magness, Esox Search & Selection
Vigilant House, 120 Wilton Road, London SW1V 1JZ.
Tel: 0171 931 0604 Fax: 0171 630 8628 E-Mail: ESOXSS@MSN.COM

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appears in the UK edition every Wednesday & Thursday and in the International edition every Friday.

For information on advertising in this section please call

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Financial Times

Senior Compliance Officer

Zurich is a leading international insurance and financial services provider offering customers solutions in the areas of financial protection and investment management. We operate in over fifty countries worldwide.

Based in Zurich, you will be responsible for developing the central legal compliance function for the Zurich Group, respectively the future Zurich Financial Services Group, in order to preserve its reputation for integrity and quality.

Your main responsibilities will include identifying and monitoring of current or potential compliance issues and trends. You will also be responsible for designing and establishing policies and procedures to ensure that the Group's activities comply with applicable laws and regulations. Monitoring and testing of adherence to external and internal compliance standards will also be part of your task. Furthermore, your responsibility will be to network with as well as train and supervise decentralized compliance functions, wherever located.

The successful candidate for this position should have a recognized education and qualification in law as well as extensive experience in the financial services sector (insurance, investment management and/or banking), including an excellent understanding of the national and transnational regulatory environments, particularly with regard to the Anglo-American markets. You will be fluent in German and English, a command of other languages would be an advantage. This position also requires excellent communication and teamwork skills and a problem-solving approach.

We look forward to hearing from you:
Please send your application to: André Studer, Human Resources, Zurich Insurance Company, Mythenquai 2, 8022 Zurich, Switzerland.

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ZURICH

The Energy To Excel In A Global Environment

INTERGEN

Formed in 1995, InterGen has become one of the world's pre-eminent developers of greenfield power projects. An affiliate of Bechtel, one of the world's premier engineering and construction companies, and Shell, the world's largest private producer and marketer of gas, InterGen has principal offices in Boston, London, Hong Kong and Miami, as well as a dozen other satellite or project offices across Europe, Asia and Latin America.

To support this rapid growth, these challenging senior financial roles have been created.

Trading Controller

Edinburgh
c.£50,000 + Relocation

As a natural extension to core activities, the UK energy trading operation is due to commence in mid-year with a view to becoming a predominant aspect of the business proper.

You will be responsible for all trading financial controls and complete management reporting for this function, and therefore have a strong understanding of the energy trading environment and hedging principles.

Whilst initially the position will involve the establishment of policies, procedures and control mechanisms, it will quickly develop into a fast paced environment as the marketing team pursues a focused trading strategy.

It is critical that you are ACA/ACCA qualified with significant multi-disciplined accounting experience (including risk management), ideally in an energy trading environment.

Project Controller

Cairo
$Negotiable

Advising the General Manager, this broad and challenging role will assume responsibility for development of the management reporting systems, providing full financial support to commercial and operations teams, together with budget forecasts and project analyses.

Initially supporting the project finance team, the position will then have the responsibility for accounting and finance matters through construction and operations. You will also be responsible for recruiting a small accounting team.

Besides the confidence and ability to make an immediate impact, you will also hold a professional accountancy qualification, be commercially aware and have the ability to work on your own initiative. Exposure to US GAAP and excellent oral and written communication skills in Arabic and English would be a distinct advantage, together with strong PC skills.

Assistant Controller

London
c.£45,000

Reporting to the Regional Controller, you will be directly responsible for leading the financial accounting requirements on a number of power projects throughout the region including the United Kingdom, Turkey and Egypt.

While the position will support projects through development construction and operations, you will also be involved in strategic matters such as business planning and re-forecasting.

A qualified Chartered Accountant with at least 4-5 years' post qualification experience, you must have a track record of success in both financial and management accounting. Experience of US GAAP and financial modelling skills would be useful, but not essential.

This is a superb opportunity to join a fast-moving company and young, dynamic team.

To explore any of these opportunities further, please call Louise Pope at Robert Half International on 0171 395 9600.
Or send your CV to her at Robert Half International, Walter House, 418 The Strand, London WC2R 0PT.
Fax: 0171 836 4942. E-mail: westend@roberthalf.co.uk

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Finance Manager

Isle of Man

c£40k + bonus (UK equivalent £55k)
Very attractive benefits package inc. car

Operating internationally from its Isle of Man base, Scottish Provident International has grown rapidly since its launch in 1991. This success has been built upon a continuing commitment to investment excellence, innovative product design and to providing clients and their advisors with the highest quality service. With funds under management approaching £1bn and over 200 employees, the growth is set to continue.

The Isle of Man is the leading location for offshore life business and offers an outstanding quality of life, a stimulating working environment and very attractive preferential tax allowances.

Due to internal promotions in the Scottish Provident Group, we now have an outstanding opportunity for a qualified accountant seeking a challenging financial management role in a leading offshore Life Assurance company.

Reporting to the Financial Controller, you will take responsibility for co-ordinating all the operational activities of a busy finance function at our prestigious Isle of Man head office, located on the outskirts of Douglas.

Your prime management responsibilities will include:

- The investment accounting, corporate accounting and premium administration teams.
- Ensuring effective financial control systems.
- Preparing management accounts and annual financial statements.
- Supporting the annual budgeting process.
- Producing commercially useful management information.
- Operational contact with internal and external auditors.
- Department and corporate projects.
- Development of 3 direct reports.

You must be able to demonstrate:

- ACA/ACCA qualifications and around 3 years post-qualification experience.
- Extensive exposure to the Financial Services sector.
- Strong technical and communication skills.
- The ability to work under pressure and to tight deadlines.
- Self motivation and energy.
- A commercial outlook.
- Proven team management skills.

The remuneration package includes a profit related bonus, a company car will be provided and comprehensive assistance given with relocation to the Isle of Man. Preferential tax and mortgage allowances make the package even more attractive.

Please write with comprehensive CV to: Alan Austin, Head of Personnel & Training, Scottish Provident International Life Assurance Limited, Provident House, Ballacottier Business Park, Cooil Road, Douglas, Isle of Man, IM2 2SP.

For more information on Scottish Provident International, visit our web site at http://www.spila.com

We are an equal opportunities employer.
The company pursues a no smoking policy.

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A vacancy exists in a Corporate Finance Company for a senior executive/director.

The applicant should have qualified as a chartered accountant in the UK and be a member of the appropriate professional institutes in North America, Bermuda and India.

A knowledge of international taxation law and membership of an appropriate institute would be an advantage.

To apply, please send your CV, with a covering letter (including details of your current remuneration) to:

Box 6202, Financial Times, One Southwark Bridge, London SE1 9HL

UCB Healthcare

Management Accountant

UCB Healthcare is a leading provider of financial services to the long term care industry. Assets exceed £350 million and the company is an autonomous subsidiary of a major European investment bank.

North Surrey — Package to £40,000

The market for the provision of long term healthcare is already valued at £12 billion per annum, and with demographics clearly indicating an aging population, UCB Healthcare have aggressive growth plans to maximise profitability and build upon their strong market position.

The company has identified the requirement for a Management Accountant to join the small finance team at their head office based in Sutton. Reporting directly to the Finance Director, key responsibilities will include:

- Production of management information to facilitate effective decision making.
- Preparation of monthly management accounts to corporate format.
- Ad hoc reports.
- Review and enhancement of financial information produced by the accounts department.

Suitable candidates will be experienced systems literate management accountants. Whilst financial services experience is ideal, it is not prerequisite; far more important are strong team playing skills and the ability to adopt a proactive, hands-on approach.

Candidates who wish to be considered for this position should forward their CV including current remuneration details, to Richard King, Michael Page Finance, 45-47 High Street, Leatherhead, Surrey KT22 8AG. Telephone 01372 375661, fax 01372 370101. Please quote ref 440159. e-mail: richardking@michaelpage.com www.michaelpage.com

Michael Page
FINANCE

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Thames Water Plc is engaged in water-related business the world over. As well as operating the largest water utility in the UK, the company has developed a world-wide reputation for the supply of high quality water treatment products and services, water process engineering and specialist services.

Thames Water

Financial Director

Herts/London Border — c £50,000 + up to 20% Bonus + FX Car

TPS is the largest division within the £200 million non regulated service business. Operating autonomously and with an enviable record of winning substantial major contracts, turnover has reached £60 million. As with the rest of the Group, TPS faces challenging profit and growth objectives to be achieved by a combination of organic growth and acquisition.

Reporting to the Managing Director as a key member of the management team, main responsibilities will include:

- Major contribution to strategy and the commercial direction of the organisation.
- New development processes and change management.
- Continuation of systems strategy and implementation to support new business practices.
- Overall control of management and statutory reporting.
- Motivation and development of 20 accounts staff.
- Management of intercompany and key relationships.

The role is challenging and the successful candidate will be a graduate calibre qualified accountant with over five years post qualified experience. Having experience of a rapidly changing and dynamic environment, the successful individual will have the drive, energy, tenacity and pro active approach to thrive in this expanding business. Flexibility will be a key strength to progress. There are excellent career development opportunities within the wider Thames Water Group.

Interested candidates should send their CV to Paul Smith at Michael Page Finance, Centurion House, 136-142 London Road, St Albans AL1 1SA. Telephone 01727 865813, fax 01727 841616. Reference 438301. e-mail: paulsmith@michaelpage.com www.michaelpage.com

Michael Page
FINANCE

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BOARD POSITION IN MARKET LEADING PLC

GROUP FINANCE DIRECTOR

c. £100,000 plus bonus and benefits — SURREY

Operating on a truly international basis, our client enjoys an unrivalled reputation for its products and services. It is without doubt the undisputed leader in its field worldwide. A listed PLC, the company has grown significantly in the recent past via a series of strategic acquisitions, and is intent on further developing its pre-eminent market position in new territories, especially the US. The Group now wishes to strengthen its Board with the appointment of an established Group Finance Director who will play a lead role in re-engineering the financial systems within the recently expanded Group, as well as forming a strategic alliance with senior line directors to play a pivotal role in the ongoing commercial development of the Group. This is a highly visible role both internally and externally, and offers possible scope for a future move into general management.

The Position

- Ensure that the company's finance strategy supports its broad business objectives.
- Develop and improve all aspects of financial control, management reporting and budgeting.
- Oversee the successful integration of the newly acquired businesses, from a finance and broader systems perspective.
- Help assess the commercial viability of new products and services, especially in new international markets.
- Strengthen the strategic capabilities of the Board and further develop the relationship with the external investment community.

The Requirements

- Established finance professional with proven Finance Director experience, gained within an international blue-chip company.
- Capability to operate at PLC Board level, with exposure to the City and other financial institutions.
- International in orientation, ideally having lived or worked abroad and preferably with a strong US focus.
- Sensitivity combined with toughness to effectively run a de-centralised finance team.
- The necessary charisma, gravitas and first-class presentation skills to create immediate impact and quickly become accepted as a key member of the senior management team.

Please send your CV with current salary details to: David Burton, K/F Selection, 252 Regent Street, London W1R 6HL, quoting ref: 05100D/04.

Alternatively send by fax on 0171-312 3380 or by e-mail to kfs-london@kornferry.com Internet Home Page: http://www.kfselection.com

K/F SELECTION
A DIVISION OF KORN/FERRY INTERNATIONAL

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HEAD OF FINANCE

RURAL WEST MIDLANDS — £45,000 - £50,000 + BENEFITS

Our client is a newly acquired subsidiary of a leading UK contract hire group. With a significant blue chip client base, its services include contract hire, contract purchase, fleet management, managed maintenance and accident claim management. A customer driven business, they see much of their success as attributable to the flexibility of the various contracts offered to clients.

Reporting to the Managing Director and Group Finance Director you will have a broad role covering business performance analysis, trend and variance analysis, budgeting and forecasting to very tight deadlines and head office reporting. The development and enhancement of systems to facilitate efficient control and risk management plus the building of an effective finance team will be important requirements.

A qualified accountant (probably ACA) and technically strong you must be capable of both a hands-on and strategic contribution. Your career track record must show ample evidence of sustained progression and the likely potential for further development. You must be able to handle a challenging role where the focus will be on contributing to the growth and value of the business. They are located in a pleasant market town in the West Midlands.

Please send full personal and career details, including current remuneration level and daytime telephone number, quoting reference D1456 on both envelope and letter, in confidence, to:

David Owens, PricewaterhouseCoopers, Executive Search & Selection, Temple Court, 35 Bull Street, Birmingham B4 6JT.

LEHMAN BROTHERS

Chief Financial Officer - Frankfurt

Lehman Brothers is a global investment bank with leadership positions in corporate finance and advisory services, equity and fixed income sales, trading and research. Lehman Brothers serves the financial needs of corporate, governmental, institutional and private clients through 39 offices in all major financial centres worldwide.

An experienced manager is sought to lead the locally based multi-disciplined finance function supporting the Lehman Brothers' sales, trading and banking presence in Germany. This high profile position involves close interaction with senior front and back office management in Frankfurt with matrix reporting into the European headquarters in London. Ad hoc projects comprise a significant element of the role and will include the development of controls for new businesses as well as a number of new system implementations.

Candidates will be qualified accountants with a proven track record of success as managers with comparable European or US investment banks - most probably with cross-functional finance exposure. The capacity to cope with a fast moving and pressured environment and drive initiatives through to successful conclusion will be essential. A good knowledge of the German marketplace and its regulatory and tax requirements will be expected. Strong German language skills would be advantageous.

Interested candidates should contact our managing consultant Simon Clarke on 0171 930 1222 or Fax 0171 930 1444. Alternatively write enclosing your CV to Astbury Marsden, 40 Strand, London WC2N 5HZ. Email: simon.clarke@astburymarsden.co.uk

astbury marsden
SEARCH AND SELECTION

DIVISIONAL FINANCE DIRECTOR

MAJOR INTERNATIONAL LOGISTICS OPERATION

LONDON — c. £85,000 + BENEFITS

- Sophisticated, high-volume logistics business, turnover in excess of £600 million, part of one of the UK's most well known FTSE 100 consumer service companies.
- The whole group is at a time of fundamental change, including widescale business process re-engineering programmes, substantial investment in new IT systems and the further development of financial controls.
- The Finance Director will play a distinctly commercial role, with responsibility for over 100 staff, providing expert business support as a key member of the management team.
- Forward-thinking graduate qualified accountant with senior financial management experience in a high transaction level operation. Exposure to logistics, distribution or transportation would be particularly relevant. Project management/systems development skills will be essential.
- The position calls for strong personal presence, the ability to motivate and develop teams and excellent communication skills.
- This is a critical role in a large group which combines customer focus with results orientation. It is an opportunity for an ambitious individual to make a highly visible personal impact.

Please apply in writing quoting reference 2917
with full career and salary details to:
Nigel Bates
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Tel: 0171 290 2043. Fax: 0171 290 2138
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FINANCIAL TIMES
No FT, no comment.

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Convincing: Christina Falk and Magdalena Kožená in the title roles of 'Paride ed Elena'

Music good enough for the gods

Drottningholm has devoted its summer season to the operas of Gluck, writes **Stephen Pettitt**

Thanks to the spirited championing of him by Hector Berlioz, Christoph Willibald Gluck has achieved saintly status in the eyes of subsequent music historians.

Gluck, you might recall, was the composer who, with his three so-called reform operas composed in the late 1760s, turned the art form away from its supposedly more indulgent excesses – virtuoso singing for its own sake and secondary consideration of drama and text – and restored the purer aesthetic.

Intending to replicate the spirit of Greek drama, which was the starting point for opera at the end of the 16th century, he set Greek myths to music without added encumbrances. The music he wrote, to words by his accomplice in this act of purification, Raniero de Calzabigi, was meant simply to serve the dramatic ritual.

It was, theoretically at least, refined, unadorned, pure. And at Gustaf III's royal theatre at Drottningholm in Sweden, Gluck was preferred to Mozart. This year Drottningholm has resurrected that era with a season devoted mostly to Gluck. Not a note of Mozart, Drottningholm's mainstay, is to be heard.

Performing such pure and static music-drama has its particular problems. The music of *Orfeo ed Euridice* – which I did not see – and *Alceste*, in particular, cries out for singers who can phrase with Classical grace, a conductor able to inject a sense of impetus and distinguish between subtle gradations of emotions, artists who can turn those interminable four-bar phrases into shapely, flexibly expressive arches and bring colour and elegance to the surface.

But in Marianne Morck's production of *Alceste*, given in its first, Italian version (Gluck made a sparer second version in French), such empathy was largely missing in the performance I attended, a Sunday matinee.

Teresa Ringholz as Alceste and Justin Lavender as Admeto, the husband for whom she sacrifices her own life, both made the line seem ponderous, even stodgy, while the conductor, Arnold Ostman, gave the impression that Gluck dealt in two tempos for his arias – slow or fast – and one tonal shading no matter what the orchestration: a uniform grey. While very possibly authentic, Morck's production – ponderous movement, standard Classical garb – only emphasised this sense of stasis.

But that did at least have one advantage. In the final act, when Lars Martinnson as Apollo descended to earth via Drottningholm's original 18th century stage machinery (which still does a marvellously effective job) to announce Alceste's restoration to earthly life, the transformation of atmosphere was extreme. At last something had happened. But the internal drama of the emotions was missed, despite the efforts of the small supporting cast.

When Apollo descended to earth via the Drottningholm theatre's original 18th century machinery, the transformation of atmosphere was extreme. At last something had happened

The performance the following day of the last of the three reform operas, the neglected *Paride ed Elena*, could not have been more different.

It is, admittedly, rather a different work, cast in the five-act format of French tragédie-lyrique and with many a nod in the direction of Rameau – wonderful orchestration, for one, to which the Drottningholm theatre orchestra responded with relish. Ostman, again in charge, this time gave a performance that was crisp, alive, beautifully shaped and phrased, elegant, imaginative: all that *Alceste* had not been, in fact.

The two singers in the name-roles, Magdalena Kožená (Paride) and Christina Falk (Elena), began with the advantage not only of singing roles of three rather than two dimensions, but of possessing pure yet characterful, flexible voices.

Kožená's sound-colour is brilliant – Gluck gives the character a comically impure exhibition of vocal acrobatics in Act III when Paride professes his love a little over-ardently – while Falk's singing is blessed with a lovely glowing quality, though she misfired on a top note in Act IV. Both acted convincingly too. But the evening was almost hijacked by Maya Boog, pertly mischievous as Amor, who, though burdened with a cold and subject to the odd minor disaster – a memory lapse, a detached pair of wings – charmed her way through the evening.

Per-Erik Ohrn's production was billed, timorously and wrongly in my view, as a semi-staging. It was thoughtfully done, generally serious as befits the tone of the work, yet leavened with adroit touches of humour. In the Act III divertissement, for example, there is a wonderful moment when, in a gesture of emancipation the female chorus members, in staid dresses and spectacles, push the men to one side and instead themselves show the off the Spartans' athletic prowess.

Naxos is about to record *Alceste*, which is good news if Ostman and his cast can stir themselves in time. But there is also bad news: following the near-bankruptcy of the Royal Opera in Sweden, the company is no longer responsible for Drottningholm's productions, and the Swedish government is reluctant adequately to support this national treasure. So next year looks like being a frugal season at Drottningholm in terms of numbers of productions. Rich philanthropists, please note.

POP THE SUPERNATURALS

Sounds of the times

There is a serious need for discipline here, writes **Peter Aspden**

The Supernaturals are in so many ways an epitome of a British pop group in the late 1990s. Their songs – chiefly written by their talented lead guitarist and singer James McColl – possess a bright, sunny sound without ever promising that permanent chasing away of the clouds which truly great pop achieves so effortlessly.

There is invention aplenty in some clever word play and parodic digs, but not that sense of melodic sophistication and poise which compels endless re-listening. By all accounts the group works hard, provides excellent value for money in live performance and occasionally touches gold. But most of the time, we are in the realm of pleasant, tuneful, but distinctly dispensable music.

A Tune A Day (Food Records) is the band's second album, following their well-received debut *It Doesn't Matter Anymore*. Its highlights, songs of immediate appeal, are in the best tradition of British guitar-based pop: "I Wasn't Built To Get Up", the current single and a paean to the glories of morning inaction; "You Take Yourself Too Seriously", another exhortation to take things easy, which opens the set with no little swagger.

McColl's songs are impressively unafraid to venture into the potentially embarrassing: the tribulations of young love are never far from his mind. There is the direct and *surprisingly* touching "Sheffield Song", and, most original of all, "Motorcycle Parts", written from the point of view of a woman gleefully giving her lumbering lover the push: "Don't patronise me you stupid big ape, I've got more balls than your heavy metal tapes".

So far so good, although the lack of hooks is a worry; the problems really start when things get ironic. Here too, the group is depressingly of its time. It is a matter of some puzzlement that a group of young men of reasonably sensitive demeanour and passable musical ability should suddenly feel the need to start poking fun. Is it to prove they are capable of wit? Does knowingness signify hipness?

Whatever the answer – and it is a disease of the age rather than one specific to this group – the ironic moments of this album only serve to spoil it. There is the ghastly "Country Music", which is played with heavy metal bombast (mismatch between title and musical style, get it?).

Most of the music is pleasant, tuneful, but distinctly dispensable: the problems really start when things get ironic

Even worse is the album's closing track, "Everest": a "wonderful parody of 1980s pomp rockers like REO Speedwagon and Foreigner" according to the group's breathy promotional material; a tedious, heavy-handed anti-climax for all normal listeners.

There is a serious need for discipline here: the last track on an album is a precious opportunity to leave a lasting impression. That it should be thrown away in a moment of whimsy (leaving aside the fact that 1980s pomp rock is a genre beyond parody) is an unforgivable act of self-indulgence. Must try harder.

The Supernaturals: a group impressively unafraid to venture into the potentially embarrassing

MUSIC IN LONDON THE PROMS

No need to be fashionable

Week three of the BBC Proms always tends to be a modest stretch of the festival and this year is no exception. A few of the smaller premieres are the main attraction, which does not mean there are no good things to be had.

Sunday's Prom met all those criteria. The BBC Scottish Symphony is an improved orchestra and Osmo Vänskä, its chief conductor, obtains crisp and disciplined playing. His performance of Sibelius's *The Oceanides* reached a splendidly windswept climax without losing its grip on detail; the Suite No. 2 from Elgar's *The Wand of Youth* provided a neatly crafted makeweight to the first half, leaving Beethoven's Seventh Symphony after the interval.

The new work was Thea Musgrave's *Songs for a Winter's Evening*, receiving its first London performance. Musgrave gets little notice in London through the rest of the year, so the Proms are her best outlet – the brief history in the programme quoted a total of 13 works performed to date. That is the penalty for writing unfashionably conservative music that has missed out on today's modish trends.

This song-cycle was typically well-made. It is a present-day equivalent of Schumann's *Frauenliebe und-leben*, a cycle of seven poems by Robert Burns that follow a girl's awakening sexual maturity. The flavour of Scottish traditional music that lies behind the first songs gives way to a more complex style as the emotions of the girl become more involved, erupting in umbridled passion in the penultimate song. Musgrave makes sure that the singer can be heard, and soprano Lisa Milne put across the words with plenty of bite.

The orchestral writing is clear-headed and has a good sense of atmosphere, for example, capturing the arrival of summer with a palpably warm colouring. All told, the cycle works, as one knew it would. Concert promoters who are not swayed by fashion might give it a chance.

On Wednesday, the Northern Sinfonia brought a sample of new music from its own region, South of the Border. John Casken has spent most of his working life in the north of England and the sights and sounds of that area have often informed his music. *Maharal Dreaming*, however, has other origins. This work, written in 1989, was derived from his chamber opera, *Golem*, premiered at that year's Almeida Festival, and repackages its material in a 12-minute fantasy for a larger orchestra.

There is not much feel of the opera-house in its new guise. The music has acquired an abstract logic that works on its own terms, not unlike the opening movement of Mahler's Ninth Symphony in its atmosphere of brooding motifs with an underlying sense of unease. It is a fairly complex score and some of the detail went unheard, though that was most likely no fault of the conductor, Jean-Bernard Pommier.

The rest of this Prom was less interesting. Pommier made an articulate soloist in Chopin's First Piano Concerto, conducting from the piano, but the orchestral part seemed even more four-square than usual. Acting purely as conductor, Pommier ended the concert with a prosaic performance of Mozart's Symphony No 40 that suggested his dual role earlier had not been to blame.

Richard Fairman

INTERNATIONAL

Arts Guide

GLIMMERGLASS

OPERA
Alice Busch Opera Theater, Cooperstown
Tel: 1-607-547 2255
● Falstaff: by Verdi. New production directed by Leon Major with sets and costumes by John Conklin. Conducted by George Manahan. Cast includes Kevin Glavin, Stephen Powell and Amy Burton; Aug 8, 11
● Partenope: by Handel. New production directed by Francisco Negrin, in his Glimmerglass debut, and conducted by Harry Bicket. Cast includes David Daniels and Lisa Saffer in the title role; Aug 8, 10
● The Mother of Us All: by Virgil Thomson. Conducted by Stewart Robertson in a new staging by Christopher Alden, with sets by Allen Moyer; Aug 7, 13
● Tosca: by Puccini. New staging by the team responsible for last year's Madama Butterfly: director Marc Lamos, set designer Michael Yeargan, costume designer Constance Hoffman, lighting designer Robert Wierzel and conductor Stewart Robertson; Aug 9

GLYNDEBOURNE

OPERA
Glyndebourne Festival Opera
Tel: 44-1273-815 000
● Capriccio: by R. Strauss. Revival conducted by Andrew Davis and directed by John Cox. The Countess is sung by Felicity Lott. With the London Philharmonic Orchestra; Aug 9
● Le Comte Ory: by Rossini. Revival conducted by Yves Abel and directed by Jérôme Savary, with the London Philharmonic Orchestra; Aug 8, 12
● Simon Boccanegra: by Verdi. New production conducted by Mark Elder in a staging by Peter Hall. With the London Philharmonic Orchestra. The title role is sung by Elena Prokina; Aug 7, 10, 13

LONDON

CONCERTS
BBC Proms, Royal Albert Hall
Tel: 44-171-589 8212
● BBC National Orchestra of Wales: Tadaaki Otaka conducts the UK premiere of Sofia Gubaidulina's And: the feasting at its height. Programme also includes works by Dukas, Szymanowski and Strauss. With cellist David Geringas and tenor Jean-Paul Fouchécourt; Aug 10
● BBC Symphony Orchestra: conducted by Mark Elder in works by Berlioz, Liszt, Britten and Prokofiev. With the BBC Symphony Chorus, Philharmonia Chorus and piano soloist Paul Lewis; Aug 9
● National Youth Orchestra of Great Britain: conducted by Mstislav Rostropovich in Shostakovich's Symphony No 10 in E minor. Programme also includes the world premiere of a specially commissioned new work by Michael Berkeley and Britten's Young Person's Guide to the Orchestra; Aug 8
● Orchestra of the Age of Enlightenment: conducted by Heinrich Schiff in works by Haydn, Gluck and Beethoven. With baritone Thomas Allen; Aug 12
● Philharmonia Orchestra: European premiere of Leonard Slatkin's Housewarming, conducted by the composer. Programme also includes Joseph Schwantner's Percussion Concerto, with Evelyn Glennie, and Elgar's Symphony No. 2 in E flat major; Aug 11
● Ulster Orchestra: world premiere of a new work by Rodion Shchedrin, conducted by Dmitry Sitkovetsky. Programme also includes works by Berlioz and Tchaikovsky. With soprano Barbara Hendricks; Aug 7

Royal Festival Hall
Tel: 44-171-960 4242
Kodo Drummers: return visit by the 14-strong Japanese troupe; Aug 12, 13

DANCE
Barbican Theatre
Tel: 44-171-638 8891
www.barbican.org.uk
Tharp! Two week season of modern American choreography. Programme 2 includes Sweet Fields, which draws on traditional American choral music, and Heroes, a ballet score by Philip Glass; ends tomorrow

NEW YORK

CONCERTS
Avery Fisher Hall, Lincoln Center
Tel: 1-212-875 5030
www.lincolncenter.org
● Mostly Mozart Festival Orchestra: conducted by Vladimir Spivakov in works by Mozart and Strauss. With viola soloist Paul Neubauer and soprano Inva Mula; Aug 7, 8
● Mostly Mozart Festival Orchestra: conducted by Ivor Bolton in works by Mozart and Handel. With violin soloist Christian Tetzlaff and mezzo-soprano Susan Graham; Aug 11
● Mostly Mozart Festival Orchestra: conducted by Ivor Bolton in works by Mozart. With violin soloist Christian Tetzlaff and piano soloist Louis Lortie; Aug 12

SALZBURG

OPERA
Salzburg Festival
Tel: 43-662-844501
● Aufstieg und Fall der Stadt Mahagonny: by Weill. Conducted by Dennis Russell Davies in a staging by Peter Zadek, with sets by Richard Peduzzi. Cast includes Dame Gwynneth Jones and Wilbur Pauley. With the Vienna Radio Symphony Orchestra; Grosses Festspielhaus; Aug 12
● Don Carlo: by Verdi. New staging by Herbert Wernicke, with the Vienna Philharmonic and Opera conducted by Lorin Maazel. Cast includes Samuel Ramey; Grosses Festspielhaus; Aug 7, 10, 13

THEATRE
Salzburg Festival
Tel: 43-662-844501
● Soon: by Hal Hartley, with music by Hal Hartley and Jim Coleman, and sets and costumes by Steve Rosenzweig. Co-production with deSingel, Antwerp; Perner Insel; Aug 7, 8, 9, 11, 12, 13
● Danton's Death: by Büchner. New, co-production with the Berliner Ensemble, directed and designed by Robert Wilson, with costumes by Frida Parmeggiani; Landestheater; Aug 7, 8, 10, 12
● Troilus and Cressida: by Shakespeare. New, co-production with Theater Basel, directed by Stefan Bachmann; Lehrbauhof; Aug 13

SANTA FE

OPERA
Santa Fe Opera
Tel: 1-505-986 5900
www.santafeopera.org
● Beatrice and Benedict: by Berlioz. New production directed by Tim Albery and designed by Jennifer Tipton. Susan Graham will sing the role of Beatrice, with Elizabeth Futral as Hero. The conductor is Edo do Waart; Aug 13
● Madama Butterfly: by Puccini. John Crosby conducts a production directed by John Copley; Aug 8, 11
● The Magic Flute: by Mozart. New production by Jonathan Miller, with sets by Roni Toren and costumes by Judy Levin. Cast includes Sheri Greenawald; Aug 10

SCHLESWIG-HOLSTEIN

CONCERTS
Schleswig-Holstein Music Festival
Tel: 49-431-567 080
● Cologne Chamber Orchestra: conducted by Helmer Müller-Brühl in works by Vivaldi and Bach. With soprano Barbara Schlick, flautist Patrick Gallois and oboe Christian Hommel; Schleswig, Dom (Aug 10) and, in a slightly altered programme, at the Hasselburg, Scheune (Aug 11)
● Philharmonie der Nationen: conducted by Justus Frantz in works by Brahms; Sylt, Westerland, Halle 401 auf dem Flugplatz; Aug 12
● Schleswig-Holstein Music Festival Orchestra: conducted by Donald Runnicles in works by Berg and Mahler. With soprano Laura Aikin; Kiel, Schloss (Aug 7) and Lübeck, Musik- und Kongresshalle (Aug 9)

SEATTLE

OPERA
Seattle Opera
Tel: 1-206-389 7676
www.seattleopera.org
Tristan und Isolde: by Wagner. New production by Francesca Zambello, conducted by Armin Jordan. The title roles are sung by Jane Eaglen and Ben Heppner; Aug 7, 10, 13

TOKYO

EXHIBITIONS
Museum of Contemporary Art
Tel: 81-3-5245 4111
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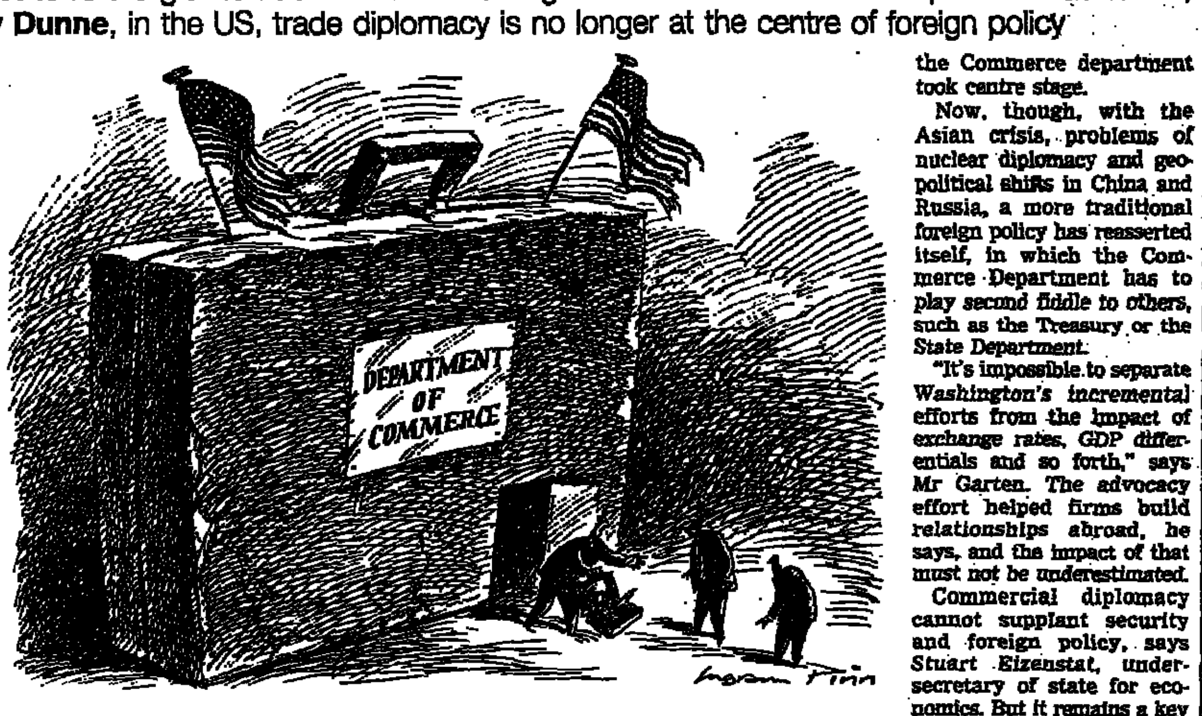
Tosca: by Puccini. New production by Giuliano Montaldo, with sets by Luciano Ricceri. Cast includes Ruggero Raimondi and the conductor is Zubin Mehta; Aug 7 <q

Commerce's diplomatic decline

Round the world, embassies are glorified trade missions and governments strive to win export contracts. But, says **Nancy Dunne**, in the US, trade diplomacy is no longer at the centre of foreign policy



When the late Ron Brown, US commerce secretary, brought a planeload of chief executives to foreign lands, he arrived in grand style. His jet, emblazoned with the US flag, was picked from the presidential fleet. His party was whisked through customs and escorted through teeming third world streets by a cavalcade of policemen on motorcycles. He basked in the reflected glory of the business leaders who symbolised American wealth. They raved about the doors he opened and the red tape he cut. Business as a whole claimed to be at the centre of US foreign policy.

No more. The "commercial diplomacy" practised by Mr Brown, who died in a plane crash more than two years ago, is not what it was. The current secretary, William Daley, flies tourist class, sometimes in the back of the airplane on which the businessmen he is leading on trade missions loll about in business class at the front.

"Commercial diplomacy is as alive as its ever been, " claims Mr Daley. "Our commercial officers and our ambassadors are totally engaged in trying to help American business."

That is no doubt true, but there has still been a change. As formulated by the Commerce department, commercial diplomacy had two principle components.

First, senior officials engaged in a sales campaign to flog, for example, telecommunications systems, power plants and other goods abroad. In 1994, for example, the administration won a $6bn Saudi order for commercial jets, after the president, vice president, secretaries of state, transportation and commerce, pushed for the order.

Second, the International Trade Administration under Jeffrey Garten, former under secretary, focused on US exports to 10 Big Emerging Markets (the BEM strategy). These included Indonesia, Brazil, China, Argentina and India, countries where big privatisation schemes were under way.

Both parts of the department's policy are now in some trouble. In a recent paper, David Rothkopf, a former Commerce deputy undersecretary who helped design the department's strategy, labels the policy "manic mercantilism" and says much of its accomplishments were "hyped". "Promoting US exports," he argues "took on disproportionate importance among international objectives."

At the same time, the BEMs strategy is foundering partly because the Asia crisis has affected all emerging markets; the outbreak of nuclear testing in India and Pakistan has also resulted in more sanctions, adding two more patients to the sick list of Commerce advocacy efforts.

As a result, dispirited department staffers have began to call it "the Has-BEMs". The ambitious policy makers who came to Washington with the new administration have began to depart. And the department's once famed "advocacy centre", which once hummed with people at computer screens tracking contracts and relaying company requests for administration intervention to agencies in Washington and embassies abroad, is now virtually empty, though during a recent visit, an intern was hard at work.

It is an open question, though, how much this really matters. The Commerce Department was anyway only part of the broader matter of commercial diplomacy.

The Treasury, for example, plays the main role in putting pressure on America's trading partners to reform their macro-economic policies. In the wake of the Asia crisis, this has become the most important part of commercial diplomacy. The State Department and the Office of the US Trade Representative also play vital roles in putting pressure on countries to open up their markets.

Commerce's speciality lay in individual sectors and individual markets. Mr Brown used to trumpet the signing of billions of dollars in new deals on his trips abroad. These announcements, though, were always suspect. Some of the deals fell apart later; others would have happened anyway without the government's backing. The department is more cautious now in its claims. It says it has "helped" to seal over 360 projects, worth over $110bn, "with US companies getting more than half the business over the life of the projects".

In any case, the concept of placing US business interests at the centre of foreign policy has suffered severe blows. Before his death, Mr Brown was subjected to charges that he had "sold" seats on trade missions to Democratic party donors. The charge was never proved, but it tainted the missions. Some businessmen began backing away from them.

Then, in 1994, a conservative Republican Congress came roaring into office, targeting "corporate welfare" in general and the Commerce Department in particular for spending cuts.

But the decline in the fortunes of the department is not merely the product of a partisan political attack. It is the result of broader geopolitical changes. For a brief period after the end of the cold war, "pure" business took centre stage and Bill Clinton was elected on the mantra, "It's the economy stupid". These were the glory days when he was dedicated to creating jobs through exports and when the Commerce department took centre stage.

Now, though, with the Asian crisis, problems of nuclear diplomacy and geopolitical shifts in China and Russia, a more traditional foreign policy has reasserted itself, in which the Commerce Department has to play second fiddle to others, such as the Treasury or the State Department.

"It's impossible to separate Washington's incremental efforts from the impact of exchange rates, GDP differentials and so forth," says Mr Garten. The advocacy effort helped firms build relationships abroad, he says, and the impact of that must not be underestimated.

Commercial diplomacy cannot supplant security and foreign policy, says Stuart Eizenstat, undersecretary of state for economics. But it remains a key tool for the State Department. "One way we can exercise definite leverage is through our private sector. Everywhere I go they say 'Give us more investment'. It's what we can bring to the table."

So if the department is down, it is far from out. A man of modest demeanour, Mr Daley, son and brother of famous Chicago mayors, is a shrewd politician. He has redesigned the selection process for trade mission participants to secure them from charges of favouritism.

Commercial diplomacy scored a victory this year after the president, vice president and secretaries of state and commerce personally pushed the $5bn sale of Lockheed F-16's to Qatar. "It means a lot of jobs in Texas," said Mr Daley, though the announcement won little notice.

And business has not given up on commercial diplomacy. "It's not as high profile as it used to be but it is still going on and needs to go on," says Howard Lewis of the National Association of Manufacturers. "We have no choice in this. We have to counter what our competitors are doing."

Philip Stephens is on holiday

LETTERS TO THE EDITOR

Such a blast can do real damage to the work of the UNHCR

From Ms Kathleen Newland.

Sir, Your special report on the Office of the UN High Commissioner for Refugees (July 29) does as grave a disservice to your readers as it does to the agency. I have worked for one UN agency and consulted for several others, including UNHCR; it has taken the business of reform seriously. Without external prodding, Sadako Ogata initiated a far-reaching internal management review, downsized and restructured the agency, and, as your report points out (although only in paragraph 23 of the feature), has initiated a review of its accounting system which the external auditors' report "was pleased to note". This hardly supports your picture of neglect and indifference.

Your report misleads more with its tone than its facts. To learn that there was $12,000 of "irregular booking" of expenditure and $13,000 of expenses charged without formal approval in a branch office in Bosnia – in a billion-dollar-plus operation – should not shake our faith in the agency's competence. Similarly, your investigation reports that 25 out of 134 field offices did not complete their assets inventory on time. I hope your readers then looked at the picture of chaos and human desperation at the top of the page and gleaned some understanding of the conditions in which many UNHCR field offices operate. They may have had other things to do that delayed their completion of the pencil-count. This is not ideal, but imagine the reaction if they had been recording assets while refugees died outside their doors.

Your report raised some real issues: the competing priorities of protection and assistance, incorporation of women's and children's special needs, protection of the environment from devastation by large refugee concentrations. But these are buried in a fog of petty charges of "apparently misleading financial statements", "alleged fraud", "failure to improve accounting practices", and "accusations of mismanagement". A blast like this can do real damage to the work of the organisation, to say nothing of a high commissioner who is almost universally admired for her dedication, intelligence and rectitude.

Kathleen Newland,
senior associate, refugee policy and humanitarian response,
Carnegie Endowment for International Peace,
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Pardon that makes a mockery of justice

From Ms Teresa Wyszomierski.

Sir, The decision of South Africa's truth commission to fully pardon the four men who in 1993 brutally murdered visiting American Fulbright scholar Amy Biehl is a watershed, demonstrating that the Mbecki government is not serious about stemming an increasing tide of lawlessness ("Four pardoned for murder", July 29).

The message of this morally bankrupt decision is twofold. First, it tells black South Africans that no responsibility attaches to vicious hate crimes committed against white foreign nationals – even those who, like Ms. Biehl, were sympathetic to the attackers' campaign. Second, it tells the US and other countries that the South African government does not care about the future safety of their citizens, even though these countries were instrumental in ending white rule through the imposition of sanctions.

While the encounter group catharsis of the truth commission may prove therapeutic for those black and white South Africans directly involved in the apartheid struggle, it makes a mockery of justice for foreign nationals victimised by self-styled freedom fighters.

Teresa Wyszomierski,
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Maspeth, New York 11378,
US

Shameful that predictable tragedy is unfolding

From Mr Bernd Karl.

Sir, I refer to your leader "Balkan bruising" (August 4). You write: "Equally, it must insist Mr Milosevic [the Yugoslav president] help refugees return home as he has pledged to, and that he agree to wide autonomy for Kosovo."

If Slobodan Milosevic allows the refugees to return to their homes, they will find burnt out villages, destroyed crops and slaughtered cattle. While the KLA has certainly complicated a settlement, we in the west are watching again, like in Bosnia, a tragedy, which was predictable, to happen. We should be ashamed of ourselves.

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PERSONAL VIEW SUSUMU SAITO

Call a new election

It is the only way to head off an economic depression in Japan – and even in the rest of the world

The ruling Liberal Democratic party will be tempted to blame its disastrous results in Japan's upper house elections last month on the recession, and hope confidently that when an economic upturn occurs everything will be all right again. If so, it will be making a bad mistake.

The LDP's political plight has much to do with its failure to acknowledge the big demographic changes in Japan that have altered the electoral landscape. The most important of these is rural depopulation and the increase in the number of urban dwellers over the past four decades. The LDP's refusal to permit electoral reform to reflect these changes, and its continuing use of pork-barrel politics in its rural heartlands have alienated urban voters.

In July's upper house election, the LDP suffered a strong rejection in urban electoral districts – the so-called industrial belt along the Pacific coast from Tokyo to Osaka. A majority of voters, faced with rising economic uncertainty, were demanding policy measures to boost their own fortunes and that of the economy.

In short, urban dwellers were outraged not only by a deepening recession but also by the "unfairness" of the LDP's traditional reflationary policy measures, which have historically relied on public works projects.

Public works spending accounts for about 8 per cent of Japan's gross domestic product compared with 2 per cent in the US and between 2 and 4 per cent in western European countries. Construction employs 10 per cent of Japan's entire work force. Overall per capita fiscal expenditure in rural areas is typically twice that in urban areas.

The primary beneficiary of these measures has been the politically favoured construction industry, mostly in rural areas. In Japan, pork-barrel politics has a rural ring to it.

Most urban voters believe an increase in public expenditure will benefit construction companies and the countryside, while the urban constituencies will carry the fiscal burden through higher personal taxes.

The LDP's support has been gradually declining in urban areas for the past two decades. Even within the LDP, the conflict of interests between parliamentary representatives from the urban and rural areas is becoming more apparent than before the debacle of the upper house election.

For years, as Japan prospered, the urban voters could afford to overlook the "unfairness" of the regional distribution of fiscal resources. But rising unemployment, corporate failures and recession have put paid to that complacency.

Before the latest upper house election, the LDP pushed for economic measures that would benefit primarily its traditional rural supporters. It met with urban voters' stiff opposition.

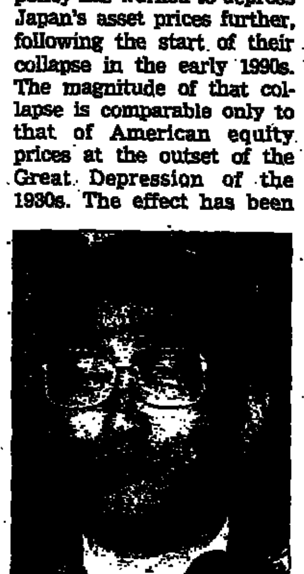
For years, urban voters overlooked the 'unfairness' of the regional distribution of fiscal resources. They are no longer complacent

The LDP appears to have learnt nothing from this. The new fiscal proposals of Keizo Obuchi, prime minister, are just an extension of the party's traditional policies.

The LDP also continues to sabotage the full implementation of electoral reforms, started in 1994, which are designed to reflect the new political demography. These reforms, if properly implemented, would produce a more representative lower house. They would therefore make it possible for a more balanced argument to take place for fiscal reflation than the one traditionally put forward by the LDP. The LDP's obstructive tactics have enabled it to continue its discrimination in favour of its strongholds of agriculture and construction interests in the rural areas when it comes to distributing extra money.

Faced with a rapidly ageing population, the LDP has been obsessed by a need to reduce the fiscal deficit over the past two years.

Its misguided austerity policy has worked to depress Japan's asset prices further, following the start of their collapse in the early 1990s. The magnitude of that collapse is comparable only to that of American equity prices at the outset of the Great Depression of the 1930s. The effect has been devastating on the net worth of Japanese banks. Unable to raise new capital from financial markets, Japanese banks have been obliged to suppress or reduce lending in Japan and abroad in their desperate attempt to meet the capital adequacy criteria set by the Bank for International Settlements.



Obuchi: fiscal proposals

The Japanese government has actually encouraged such measures without regard to their repercussions on Asia and the rest of the world as Kiichi Miyazawa, a former prime minister and now finance minister, admitted late last year. It is no exaggeration to argue that Japan's great depression could trigger an Asia-wide, even a worldwide, economic downturn.

The Japanese government should continue to pursue monetary and fiscal reflationary policy to counter the strong deflationary pressures arising from the collapse of asset prices in Japan. The continued reflation of the economy now enjoys a consensus in Japan. The question now is how best to reflate.

Reflation by expanding the monetary base is one of the measures. Since 1995, Japan's central bank has apparently switched its stance to allow this. There is a danger, however, that further reliance on monetary policy alone for reflation will induce a much weaker yen and will endanger a further competitive devaluation of the Asian currencies.

The result would be a further shrinkage of trade within and beyond Asia. While the US economy already appears to be overstretched, Japan and the rest of the world have little to gain from precipitating such a shock. At this point, a further reliance on the realignment of exchange rates will only risk the repetition of the mistake of the sharp shrinkage of international trade that the world saw in the early years of the Great Depression in the 1930s.

The only way to reflate while maintaining exchange-rate stability, is to expand fiscal policy over the long term. The trouble is that a majority of the Japanese do not want reflation through fiscal means under the current unfair and politically dominated spending system.

The answer must be to re-examine the political mandate. The most effective way of doing that is to change the composition of the lower house, which has the final say on Japan's fiscal policy. A general election is necessary. Otherwise, the consequence is a continuation of sporadic and insufficient fiscal reflation which will lead, as history has shown, to another Great Depression which will probably engulf not just Japan but also the rest of the global economy.

The author is director of Trilateral Institute, a private economic think-tank in Tokyo

COMMENT & ANALYSIS

FINANCIAL TIMES
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Friday August 7 1998

Germany reaps the rewards

The OECD's economic report on Germany, published today, paints a picture of a rosy short-term outlook, and of improved long-term prospects. The country is coming out of a period of massive adjustment to the absorption of eastern Germany in good shape. This is welcome news for whoever wins next month's general election.

Germany's short-term economic prospects are undoubtedly good. Interest rates under monetary union should remain low, the current phase of fiscal adjustment is over, and the country has achieved virtual price stability. Gross domestic product growth is forecast to reach 2¾ per cent this year, and 3 per cent by 1999.

The weak points of the recovery so far have been in investment and employment growth. But the OECD report sees these not as a weakness, but as a sign that structural reform is succeeding. Firms have been shedding labour and have not invested as much as in previous recoveries, it says, because they have managed to improve their efficiency.

German companies have been engaged in a process of rationalisation over the past few years, partly in reaction to the loss of competitiveness they suffered in the early 1990s, partly in anticipation of the increased competitive pressures that a single currency will bring. They are being helped in this process by the government's labour market reforms.

The OECD highlights tightening of sick leave provisions, more decentralised wage bargaining, and greater flexibility on working hours as the most effective measures. The latter has particularly helped manufacturing firms, which have been able to increase machine running times. France, where policy appears to be heading in the opposite direction, should take heed. So should Gerhard Schröder, the SPD challenger to Chancellor Helmut Kohl, who has vowed to repeal some of the reforms.

Productivity improvements, together with successful wage restraint and the effect of a falling real exchange rate, have led to a dramatic improvement in international competitiveness. And although jobs are still suffering, Germany's improved productive capacity should lead to a fall in the unemployment rate in the medium to long term.

Concerns do remain. Primary among these are doubts over whether Germany will be able to reform its tax system and reduce its public-sector deficit. And despite the improvements, Germany's labour market is still too rigid. The rate of unemployment – now 10.7 per cent – is set to fall, but will remain too high.

But the clear message of the report is that Germany is about to reap the rewards of the reforms it has carried out so far. This is to Chancellor Kohl's credit, but, after September's elections, could be to Mr Schröder's benefit – provided he does not throw reform into reverse.

Cross cultures

Building cross-border companies is harder than the European stock markets believe.

This is one implication of yesterday's announcement at Reed Elsevier, which is changing its management structure and searching for a new chief executive from outside the company.

The company is moving from one of the two possible approaches to running a cross-border company to the other. The first of these – practised successfully for many years at Shell and Unilever – might be called the "constitutional" approach.

Under this management structure, there is a set of rules – explicit or implicit – that allocates top jobs on the basis of the nationality of the original parent companies. Exceptionally talented outsiders might occasionally force their way to the top. Otherwise, everyone knows how the succession works.

The second approach is more open – and more challenging. There is a unified management structure, headed by whoever is the best person for the job, regardless of origin.

On the face of it, this is a much better approach. But it is also very hard to pull off evenhandedly. ABB, which operates this system, has had only two chief executives since the merger that created the company – both of them Swedish. CarnaudMetalbox, in its short life as an Anglo-French venture, had to bring in a German-American boss to resolve national tensions. Reed Elsevier is also likely to end up with an American chief executive.

Nationality merely complicates what is in any case a difficult problem. In single-nationality mergers, there is often a decade or so of covert power-struggle between the representatives of the two partners – sometimes resolved only by the victory of one faction or the other.

Reed Elsevier is undoubtedly moving in the right direction, but the task it is undertaking is a difficult one. The complexity of creating unified cross-border managements is just one symptom of the problems that lie ahead in the creation of an integrated European economy.

What is worrying is not the scale of the difficulties but the way in which the financial markets appear to underestimate them. The boom in European stockmarkets assumes – plausibly – that there will be a wave of restructuring within and across national boundaries.

But the economic benefits of these mergers may be harder to realise than current market valuations assume. Each time a merged European company reaches out for a neutral chief executive, investors should think twice about how soon they expect those benefits to arrive.

Colombia's hope

An outbreak of guerrilla violence in rural Colombia this week has provided another reminder – if anybody needed it – of the seeming intractability of Latin America's longest running civil conflict.

Yet there are growing hopes that Andrés Pastrana – officially inaugurated today as president – has the opportunity to lead the country towards peace, as well as to halt the recent slide in Colombia's economic fortunes.

The new president can make progress most quickly on the economy. The incoming finance minister has already signalled tough action to reduce a projected fiscal deficit of 3.5 per cent of gross domestic product hinting at spending cuts and measures to limit tax evasion.

The growth in the deficit, and in particular the growth in public spending (from 11 to 18 per cent of GDP since 1990), represents the single biggest threat to the investment grade credit rating that Colombia still enjoys.

Ending the civil war, however, is an altogether more difficult challenge. Under outgoing President Ernesto Samper political violence has threatened to spiral out of control. In spite of the government's vigorous eradication campaign, the drugs trade – whose profits support the activities of both right-wing paramilitaries and left-wing guerrillas – has continued to prosper.

Both left-wing groups – the National Liberation Army and Revolutionary Armed Forces of Colombia (FARC) – consistently rejected offers of talks on the grounds that President Samper's government was corrupt.

Yet since the June elections there has been a marked change in atmosphere. President Pastrana has already met some left-wing leaders and peace talks are scheduled to take place over the next three months. Undeterred by this week's violence – the the worst in four years – President Pastrana is pressing ahead with his peace plans.

The outlines of a political settlement can be envisaged. The guerrillas may accept reforms that fall short of their professed longer-term socialist objectives. In return, they will demand that President Pastrana ensures their security when they re-enter civilian politics.

All this will take time and some arduous diplomacy, but it is achievable. After all, peace has been negotiated in El Salvador and Guatemala, where conditions were just as difficult.

Ultimately, though, success is likely to depend on the elimination or control of the drugs business that represents the economic base of paramilitary and guerrilla activity. Inevitably this will be a long-term process – and one that Colombia acting alone will be unable to solve.

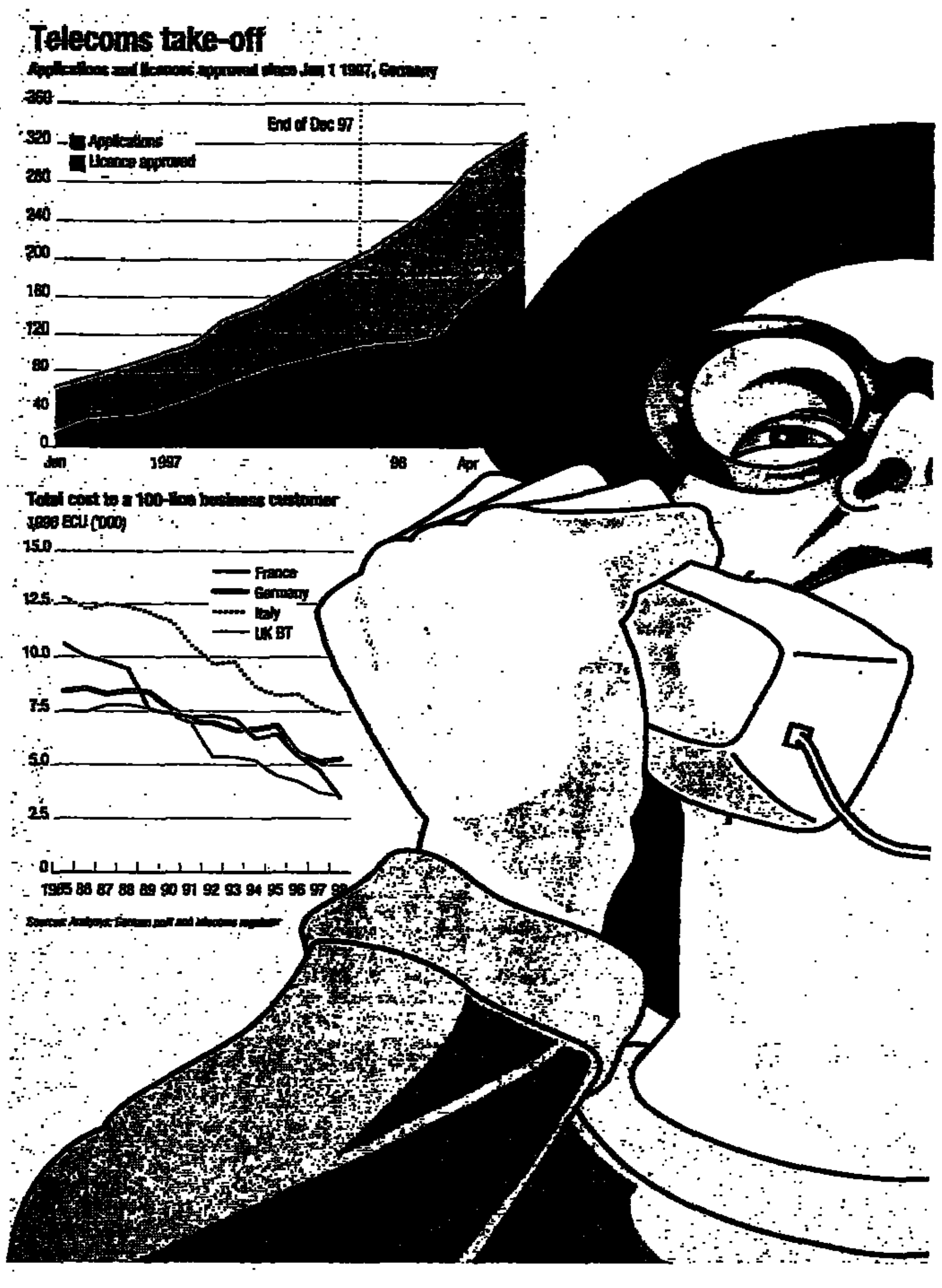
All lines engaged

The deregulation of European telecommunications has produced some of the most surprisingly competitive markets in the world, as Ralph Atkins writes

What is the world's most open, competitive and fastest-evolving telecoms market? Free-market America where corporate giants merge and restructure almost daily? Britain, perhaps, where privatisation was pioneered? Or stuffy-old, consensus-orientated Germany?

Seven months after the liberalisation of Germany's market, 208 licences to set up telecoms companies have been awarded and animal spirits let rip. Another 130 applications are in the pipeline. The high number, claims Klaus-Dieter Scheurle, the country's telecoms regulator, "shows the extent of confidence in the German market, and the extent to which the country has been capable of implementing reform".

So far, it is true, Germany has been better at boosting competition in the sense of by encouraging new entrants, rather than in the sense of driving down prices substantially (see chart). Moreover, the volume of business deserting Deutsche Telekom, the former monopoly carrier, which is Europe's biggest telecoms group, has been modest so far: new competitors probably account for about 12 per cent of the long distance market. All the same, the trend is clearly upwards. It has become clear that Germany has created a legal and regulatory framework for full-blooded competition on an unusual scale. And, all things being equal, the big effect on prices and services should follow in due course.



The speed of change is already challenging traditional German business nostrums; in the new telecoms businesses, marketing and customer service have become as important as technical prowess. Indeed, the change has been so quick that public attitudes have not caught up and Deutsche Telekom has been able to exploit fears that an overzealous regulator is forcing companies to rip up long-term investment plans. "The aim of the 1996 telecoms law was to give an incentive to investment – to make a bigger, stronger telecoms industry," says Hans-Willi Hefekäuser, responsible for regulatory affairs at Deutsche Telekom. "But you can earn a lot of money without spending much ... When you have so many competitors in the market, then it is clear that conditions are too favourable."

The main agent of change has been Germany's 1996 telecoms law. Four years ago, AT&T, the US telecoms group, drew up a checklist of features it wanted in the planned bill – including an unlimited number of licences, equal and open access to Deutsche Telekom's networks, and no restrictions on foreign ownership. "We were really surprised that most of the points were fulfilled," says Hans Neetix, director of public affairs at AT&T in Germany. AT&T has a stake in Mannesmann Arcor, one of the most successful new operators.

Whereas the UK has put the emphasis on encouraging rivalry between networks, Germany's 1996 telecoms act paved the way for competition on Deutsche Telekom's lines as well. The result is a revolution in long-distance telephoning. Since January 1, German customers have been surfing competitors' services for each telephone call, using their existing Deutsche Telekom connections but cutting the charge by up to 70 per cent. All that is needed to switch is an additional five-digit code before the main number. There is no need to register; the bill still comes from Deutsche Telekom. Or customers can "pre-select" a new competitor, so their calls are automatically transferred away from Deutsche Telekom.

But the competitiveness of Germany's DM100bn ($56bn) telecoms market is also due to Mr Scheurle's feisty regulatory style. A crucial decision was the setting last September of rates for "interconnections" into Deutsche Telekom's network at an average of just 2.7 pfennigs per minute – among the lowest rates in the world. One of the first to spot the enormous arbitrage opportunities created by a low interconnection rate and much higher Deutsche Telekom retail prices was Gerd Schmid, founder and chief executive of MobilCom, based in Schleswig, north Germany.

Using lines rented from Deutsche Telekom, and only a modest DM40m investment in switching technology, Mr Schmid offered telephone calls at a flat, country-wide tariff of 19 pfennigs a minute, 24-hours a day. Within months Mr Schmid was a D-Mark billionaire, claiming a market share of more than 1 per cent.

He also cocked a snook at others who took a more typically German, investment-intensive route. Most noticeably, Veba and RWE, two of Germany's biggest industrial conglomerates, pooled resources in a joint telecoms venture, o.tel.o, which originally planned to invest DM7bn. But o.tel.o has been left lagging in the battle for market share, forcing the departure of Ulf Bohla as chairman last month.

The different approach required in such a liberal market has not always been easy to stomach. Even Rainer Funke, state secretary at the Bonn justice ministry and one of the authors of the 1996 law, complains that an interconnection rate of 2.7 pfennigs a minute means "no interest in building a network ... we have taken riches from Deutsche Telekom and made Mr Schmid of MobilCom a billionaire".

Deutsche Telekom, meanwhile, is challenging the interconnection ruling in court. Mr Scheurle has suggested smaller companies, with limited networks of their own, might be entitled only to "re-seller" arrangements with discounts from Deutsche Telekom less favourable than the interconnection rate.

Other worries have been expressed about Germany's regulatory regime. Unlike in the US, German law allows Deutsche Telekom to declare much of the information it supplies to the authority as commercially confidential. "We know what they have said, but the competition doesn't," admits Mr Scheurle.

Deutsche Telekom also complains that the regulator operates in a legal vacuum. Mr Hefekäuser says Germany's administrative courts, "have been flooded with actions and they simply can't cope with them all".

But Mr Scheurle maintains his aim is to ensure prices are set on the basis of what would be achievable on an efficient cost base and to ensure fair competition. He dismisses the argument that investment is being discouraged. "When we have seen more than 100,000 jobs created in the past two years in telecoms, who can say that there hasn't been any investment?" Mr Scheurle's big test comes in November, when he is due to rule on the prices Deutsche Telekom can charge for open, or "unbundled", access to the local loop – or the last mile into customers' homes. It is a chance to create real competition for local and long distance calls – and to put Germany ahead of the US.

Mr Neetix at AT&T says: "If Germany sets the price for unbundled local loop access at cost price, then the German market would be the world leader in terms of encouraging competition."

Parlez-vous français?

David Owen explains how competition has changed the French market

In France, the brave new world of telecommunications competition is proving more beneficial to business than household consumers, at least as far as fixed telephony is concerned.

The Autorité de Régulation des Télécommunications (ART), the telecoms watchdog, says 30 licences to operate networks and to provide telephone services have now been granted. But the stiffest competition to France Telecom, the former monopoly operator, in the household market still comes from Cegetel, the telecoms arm of Vivendi (the former *Générale des Eaux*), in which British Telecommunications is a leading shareholder.

Cegetel launched its "7" fixed-line service in February and at present claims 300,000 subscribers, with a target of 600,000 – about one French person in 100 – by the end of the year. It says about 5m minutes of communications a day are carried by its network, up from nearly 2m at the end of April. Official ART figures on the share of the long-distance market taken by new entrants are not yet available.

Big companies have more real choice. Olivier Porte, telecoms representative for the Club Informatique de Grandes Entreprises Françaises, which represents the private-sector companies with the 100 biggest information technology budgets in France, says club members have a choice of four to five operators for basic telephone services.

While France Telecom is still the main vendor for most members, he says the majority "already have two operators, or are about to have two operators".

Figures produced by ART suggest that business users have also benefited more than households from the price cuts triggered by liberalisation, or the prospect of it.

Based on a basket of one subscription, 185 local calls, 11 intermediate calls and 40 long-distance calls, ART calculates the monthly bill for a typical household has edged down from FFr184.35 ($31.03) in 1995 to FFr179.37 in 1997 – a reduction of less than 3 per cent.

For businesses, based on one subscription, 234 local calls, 44 intermediate calls and 92 long-distance calls, the savings have been more substantial, with bills falling close to 15 per cent, from FFr348.37 to FFr297.03.

Competition is mostly entrenched in the buoyant mobile phone sector, the main growth area for the industry. Here Cegetel and Bouygues vie effectively for business with France Telecom.

OBSERVER

Clerical choler

Stepping into church politics is best done very carefully, especially when it's someone else's church. It seems that Israeli premier Benjamin Netanyahu has been less than light-footed in his dealings with the Greek Catholic Church, Israel's biggest Christian group.

Netanyahu's spokesman has admitted that tough-talking Bibi "expressed the government's position to the church" over the appointment of the Catholic archbishop in Galilee, the church's top post in the region.

The official line is that the Palestinians interfered first, pressing for Butros Mualem, one of their own, to get the job. A security official said Israel feared that Mualem might stir up anti-Israeli feeling among the Catholics, so Netanyahu hit back with pressure for the more government-friendly Emil Shufani, from Nazareth.

Pope John Paul II went ahead and picked Mualem, and the Vatican isn't saying whether there has been a spat over the affair. Vatican-Israeli relations had seemed to be improving: let's hope Bibi hasn't made a cardinal error.

Wolfgang's week

It has not been a good week for Wolfgang Schäuble, the ruling German Christian Democrats' parliamentary leader and the man Chancellor Helmut Kohl thinks should be his eventual successor.

Not only is the CDU still lagging in opinion polls ahead of the election on September 27, but Schäuble's wife, Ingeborg, has confided to Stern magazine that she would really rather her husband, confined to a wheelchair since an assassination attempt in 1990, chose not to run for the top office. "I have serious reservations," she admits.

Schäuble's career prospects took another dip when Gerhard Schröder, the Social Democrat challenger to Kohl, said that, if a "grand coalition" of the two biggest parties was needed after September 27, he would rather work with defence minister Volker Rühe than with Schäuble.

Still, the polls suggest that Schröder may end up in bed with the small Green party – which would leave all the Christian Democrats out in the cold and give Schäuble plenty of quality time with his wife.

Hearing aid

When is a hearing not a hearing? Apparently when the Chinese ambassador agrees to turn up.

Li Zhao Xing, Beijing's envoy to Washington, pulled out of a scheduled appearance before Congress on Wednesday to discuss the human rights situation in his country. The embassy said Li had agreed to a "face-to-face dialogue on equal basis" with a House subcommittee members, but the ground rules had been broken because the media had called the event a hearing.

The fear was apparently that interrogation by congressmen would have infringed China's sovereign status.

Subcommittee chairman Christopher Smith said he hoped something could still be arranged. If so, it will take a bit of patient diplomacy. And maybe Smith's statement to the press that "Ambassador Li has stiffed the committee" wasn't the best start to that process.

Orderly retreat

The board of Hungary's Postabank, already suspended by the banking regulator, resigned yesterday in advance of today's general meeting.

That means Gabor Princz, chief executive and president of the bank, and his minions won't be collecting the sizeable golden handshakes they would have got had they waited to be sacked.

Princz is a colourful character, a part-time disc jockey and occasional acting extra, known for his generous sponsorship of sport, the arts and theatre – with the bank's money that is.

His departure appears to put a tidy end to the affair. It coincided with a statement from the bank commissioner that, contrary to local media reports, the police would not be poking around in the bank's books. How Postabank ran up huge losses is a question for the boys in pinstripes, not the boys in blue.

Counter force

Last year one in every 100 Greek bank branches was robbed, and worried bankers are doing their bit to help the police. They had a whip-round to buy 65 new patrol cars, 300 motorbikes and other kit, including bullet-proof vests.

The sight of Theodore Karatzas, who runs National Bank of Greece – the one with most branches – handing over the rows of shiny vehicles to grateful police chiefs hasn't had much of a deterrent effect. Nor did it immediately improve response times.

This week's bank robbery was at an NBG branch in the entrance of a maternity clinic. Trapped between two sets of glass doors by an electronic security system, the robbers shot their way out and took off with the loot. They were long gone before any cops showed up.

Dean who?

A letter to Morgan Stanley Dean Witter in New York has been returned stamped: "Return to sender, no longer at Morgan Stanley." Is there something we aren't being told?

The Financial Times 50 years ago

Meeting in Moscow

Moscow, August 6. Envoys of the three Western Powers went to the Kremlin this evening to see Mr. Molotov, the Soviet Foreign Minister, and were still in conference there 2½ hours later. This was the first high-level move in Moscow since the Envoys spent two hours with Marshal Stalin on Monday evening. The Envoys were Mr. Frank Roberts for Britain; General Walter Bedell Smith, United States Ambassador; and M. Yves Chataigneau, French Ambassador. The Russian refusal to unblock frozen Eastern mark accounts of Western sector firms forced the Western Military Governors to-night to grant big Western mark credits to firms which could not pay their wage bills.

Cuban Sugar Price Rising

The price of Cuban raw sugar continues to strengthen, and it is rumoured that there are now no sellers under 4½ cents a pound f.o.b. A few weeks ago the level was 4 cents. There is a big demand for refined sugar all over the world. One of the main reasons for this firmness in the world sugar market is the calculation that less than 500,000 tons of Cuban sugar remain to be sold.

FINANCIAL TIMES

FRIDAY AUGUST 7 1998

THE LEX COLUMN

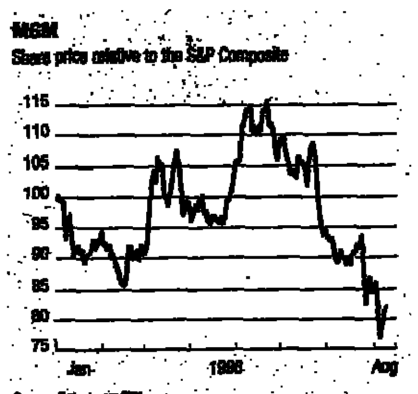
Reed reform

Reforming Reed Elsevier's management structure should eradicate the "them and us" culture still lingering five years after the merger. Management by a four-man committee – two from each side – did not speed the integration process or help the company move nimbly in the electronic publishing world. And since the one chief executive/one non-executive chairman formula was planned for the abandoned Wolters Kluwer merger, the status quo had become untenable.

However, Reed Elsevier has yet to make a clean sweep of things. There will be an uncomfortable interregnum until the outside (though still Dutch) non-executive chairman, Morris Tabaksblat of Unilever, arrives next April. David Webster of Safeway has to step up to the mark until then. Worse still is the muddle over the chief executive position. Former co-executive chairmen Nigel Stapleton and Herman Bruggink are effectively demoted to acting co-chief executives, pending the recruitment of a single outside chief executive to replace them. As this could take time, the company risks being bereft of leadership during a period of rapid change in the industry.

Thankfully, the major strategic decision – to focus on electronic rather than consumer publishing – has long been taken. However, as yesterday's rather lacklustre results show, making Reed Elsevier's costly investments here pay will require detailed work by a committed management.

MGM



Cinema audiences would groan at a plot this obvious: loss-making, heavily indebted and with its shares well below last November's initial public offering price, MGM is suddenly in takeover talks.

Given the film company's chequered history, anything is possible. MGM has an attractive film library and still makes films and television shows, though it no longer owns a film studio. But it is not clear who would want to buy a company with debt equal to its $1.2bn market capitalisation and not even making operating profits yet. And any purchaser or merger partner would have to deal with Kirk Kerkorian, the billionaire investor, who owns 65 per cent of the company. Since Mr Kerkorian has owned MGM off and on since 1969, he would probably want to keep a controlling stake in any enlarged group.

To complicate matters further, MGM is currently trying to raise $250m of fresh equity. That the company is prepared to issue stock at this depressed level shows how close it has come to exhausting its $1.3bn credit facility and its bankers' patience. If this well-timed announcement was designed to boost the price of that offering it had little effect: MGM's shares jumped barely 5 per cent.

US healthcare

Is it possible to make money in US managed care? United HealthCare, one of the industry's biggest names, announced a shocking $900m charge to earnings yesterday and saw its share price drop over 30 per cent. Aetna, the largest health insurer, has produced two profits warnings since it took over US Healthcare in 1996. And Oxford Health Plans has lost 90 per cent of its value since a spectacular fall into losses last autumn.

This is a far cry from four years ago, when managed care companies, which provide medical insurance for a fixed cost, looked poised to take over the world. Four-fifths of Americans are now in some sort of managed care plan. But despite that success, the industry is trapped in a classic squeeze between powerful customers (the government and huge employers) and equally powerful suppliers (consolidating hospital and drug groups).

Managed care providers have responded with a merger wave of their own. But most, including Aetna, have dismally failed properly to integrate their complex management and computer systems. Meanwhile, horror stories of niggardly reimbursements have made them hugely unpopular. Managements must also take the blame for badly underestimating rising medical costs – this is at the heart of United's problems and its withdrawal from much of its Medicare business of caring for the elderly.

For United this is particularly poor timing. In May it announced the $5.5bn all-share takeover of Humana, a smaller and – apparently – trouble-free rival. With United's stock now barely half its value back in May, that deal looks as good as dead.

Barclays

Last time the UK economy slowed markedly, Barclays dived into loss. No such repeat is likely this time. Yesterday's headline numbers may have been a bit iffy – pre-tax profits up only 1 per cent, costs on the high side – but the underlying picture is much healthier. A robust 23 per cent return on equity is encouraging, but a telling indicator of how life has changed emerges from the repositioning of the loan portfolio. In nominal terms it has barely grown in seven years, but the composition has shifted dramatically towards lower risk categories.

This change is symptomatic of a more nuanced approach to risk management. But it has not come at the expense of growth: operating income for ongoing businesses rose 7 per cent, with steady growth across the main business areas. Revenues also grew comfortably faster than underlying cost growth of 4 per cent. The numbers, though, do not tell the full story. The shape of the bank is much better than a year ago; in particular, Barclays Capital appears to fit more neatly than BZW ever did.

The issue now is to what extent this improved structure can translate into consistently superior performance. Much will turn on the handling of crucial soft issues – leveraging the Barclays brand, and improving customer focus. The feel, however, is of a group threatening to fulfil its potential. Investors should not be disappointed.

UNHCR 'may have paid for ammunition flights'

Agency to issue rebuttal of all allegations over Zaire shipments

By Jimmy Burns and Andrew Edgecliffe-Johnson in London

The United Nations High Commissioner for Refugees may have financed two supply flights of ammunition to soldiers of the former Zaire as the country collapsed into civil war in 1996, according to a report today in Africa Confidential, the London-based newsletter.

The UNHCR would not comment yesterday on the latest claims, which follow allegations in the Financial Times of dubious accounting and incompetent management.

It said it would issue a rebuttal of all the allegations to donor nations today.

The soldiers, most of them loyal to the late President Mobutu Sese Seko, had been employed by the UNHCR as guards for its refugee camps in Goma, eastern Zaire. They later tortured and killed UNHCR staff, and massacred thousands of refugees. An investigation by the UNHCR last August failed to establish whether two UNHCR-funded flights to the Zairean soldiers carried ammunition. Questions over the UNHCR's role in supplying Zairean forces are likely to reinforce concerns about administrative failings within the commission, and also highlight the dilemmas faced by UNHCR officials.

Investigations by the Financial Times and Africa Confidential have established that the senior UNHCR official in charge of security in Goma recommended on October 25 1996 – two months after the start of the civil war between Mobutu's army and Laurent Desire Kabila's Alliance forces – that the UNHCR should meet a request from the camps' senior Zairean commander for funding for two flights of food and ammunition for his troops.

The UNHCR headquarters in Geneva agreed to charter the flights for $130,000. Paul Stromberg, a UNHCR spokesman, stressed this week that its assistant high commissioner, Sergio Vieira de Mello, insisted by telephone on October 28, 1996, that no "war material" should be carried. However, Africa Confidential reports today that a senior minister in the Mobutu government has told it the flights carried ammunition as well as food. He told Africa Confidential at least two chartered aircraft flew from Kinshasa, the Zairean capital, to government bases in eastern Zaire on November 1 1996.

"This was an operation requested by the (Zairean) military and whatever they did with it was their own affair," he told Africa Confidential.

A UNHCR mission to former Zaire in August 1997, to investigate "purchases of goods and services, against prevailing rules and procedures", established that records which might have shown what the two aircrafts' 60-metric ton cargo consisted of could not be provided by Jeffery Travel, the Kinshasa company from which the flights were chartered.

Mr Stromberg, for the UNHCR, said: "We talked to the agency (Jeffery Travel) and they could not provide us with any record of what was on the flights beyond tonnage."

Rwandan quagmire, Page 5

UK businesses back decision not to raise interest rates

By Robert Chote in London

Business leaders yesterday welcomed the Bank of England's decision not to raise interest rates, but argued that it could have done more to help stave off the threat of a "hard landing" for the economy.

The Bank's monetary policy committee offered no explanation for its decision to leave rates at 7.5 per cent, pointing out that its quarterly Inflation Report would be published next Wednesday.

Graham Mackenzie, of the Engineering Employers' Federation, welcomed the decision, but expressed disappointment that the Bank had failed explicitly to rule out further rate increases. "This will help to sustain the level of the pound and push industry further into recession in the near future, with continued losses of both domestic and export orders as well as increased unemployment," he said.

The Bank may have decided not to tighten policy because the slowdown in the internationally exposed manufacturing sector – due largely to the pound's strength – is spreading to more sheltered parts of the economy.

The Confederation of British Industry provided further evidence of this yesterday, when its latest survey showed retail sales growth decelerating to its slowest rate in three years.

The CBI found 37 per cent of retailers reporting sales in July up on a year ago, compared with 31 per cent reporting that they were down. The net balance of 6 per cent reporting an increase is well down from 19 per cent recorded in June.

The survey shows that spending is well below normal for the time of year and is expected to remain subdued. Stocks of unsold goods are building up, prompting retailers to order less from suppliers.

"Consumers have been discouraged by a combination of high interest rates and bad weather," said Alastair Eperon, chairman of the CBI's distributive trades panel. "The message of this survey is consistent with the balance of other data in indicating a slower pace of domestic demand."

Ian Peters, deputy director-general of the British Chamber of Commerce, agreed the economy was slowing to meet the government's 2.5 per cent inflation target. "However, manufacturing industry remains dangerously close to the brink and job losses and company closures will continue," he said. "It is clear that in September the committee must cut rates by a quarter point."

The pound reached a 10-week low in the wake of the Bank's decision, with analysts concluding that interest rates had probably peaked. Against a basket of currencies, sterling fell 0.3 per cent to 103.7 per cent of its 1990 value.

Analysts said they expected the Bank to sound a cautious note in its Inflation Report next week, warning that rates might have to rise again.

Experts divided, Page 6

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Cut-price designer goods on sale at an Asda supermarket in Yorkshire yesterday as the UK group defied a European court ban. Report, Page 8

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FT.com: the Financial Times web site; online news, comment and analysis.
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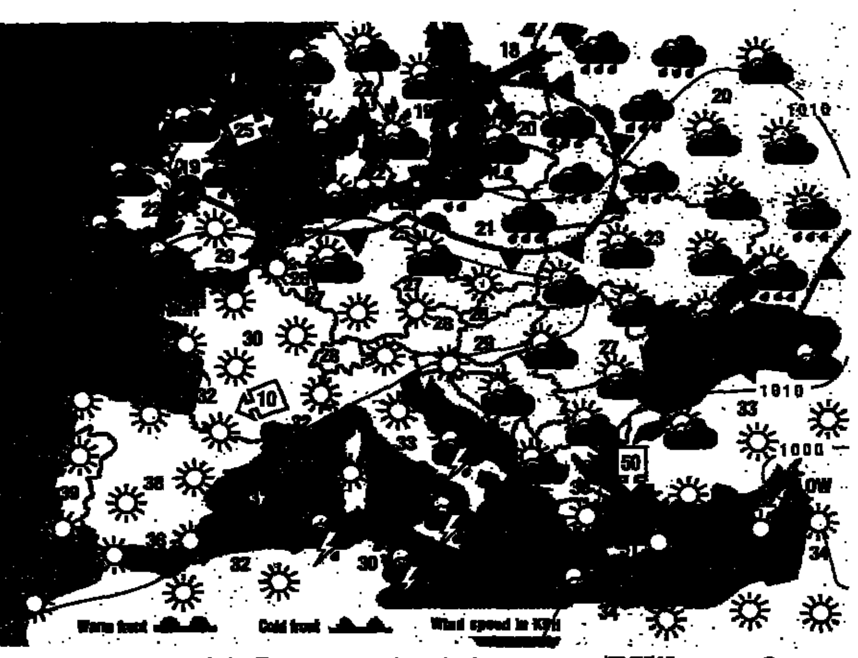
FT WEATHER GUIDE

Europe today

Southern and eastern parts of Scandinavia will be dry with sunny spells, but northern areas will be cloudy with outbreaks of rain. The Baltic states will also be cloudy with some rain. Much of north-west and central Europe will be hot and sunny, but a week front will bring cloud to northern parts of Germany and Poland. The Mediterranean will also be hot and sunny, especially the Spanish interior and mainland Greece. There is a risk of thunder in southern Italy.

Five-day forecast

Scandinavia will be unsettled. North-west and central Europe will continue hot and sunny, although thundery showers will develop over the Alps next week. The Mediterranean will remain hot and sunny, with thunderstorms over southern Italy easing by Monday. Showers will develop over northern Spain on Monday and Tuesday.



Situation at midday. Temperatures maximum for day. Forecasts by PA WEATHERCENTRE

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	40
Accra	Fair	28
Algiers	Sun	32
Amsterdam	Fair	25
Athens	Sun	33
Atlanta	Thunder	32
B. Aires	Fair	18
B.ham	Fair	25
Bangkok	Thunder	32
Barcelona	Sun	30
Beijing	Cloudy	31
Belfast	Shower	20
Belgrade	Fair	31
Berlin	Fair	25
Bermuda	Fair	31
Bogota	Cloudy	19
Bombay	Rain	33
Brussels	Sun	28
Budapest	Sun	29
C.hagen	Fair	22
Cairo	Sun	36
Caracas	Cloudy	32
Cardiff	Sun	22
Casablanca	Sun	28
Chicago	Fair	29
Cologne	Fair	27
Dakar	Sun	31
Dallas	Fair	31
Delhi	Sun	29
Dubai	Sun	42
Dublin	Fair	22
Dubrovnik	Fair	33
Edinburgh	Shower	20
Faro	Sun	32
Frankfurt	Sun	29
Geneva	Sun	28
Gibraltar	Sun	27
Glasgow	Rain	19
Hamburg	Cloudy	23
Helsinki	Rain	18
Hong Kong	Shower	32
Honolulu	Fair	32
Istanbul	Fair	32
Jakarta	Fair	32
Jersey	Sun	21
Johannesburg	Sun	18
Karachi	Sun	37
Kuwait	Sun	45
L. Angeles	Sun	30
Las Palmas	Sun	30
Lima	Cloudy	19
Lisbon	Sun	39
London	Sun	29
Lux.bourg	Sun	27
Lyon	Sun	30
Madeira	Sun	27
Madrid	Sun	36
Majorca	Sun	33
Malta	Fair	30
Manchester	Fair	22
Manila	Thunder	34
Melbourne	Fair	14
Mexico City	Fair	30
Miami	Thunder	33
Milan	Sun	34
Montreal	Fair	28
Moscow	Fair	20
Munich	Sun	28
Nairobi	Fair	23
Naples	Shower	35
Nassau	Fair	33
New York	Fair	29
Nice	Sun	32
Nicosia	Sun	37
Oslo	Shower	22
Paris	Sun	30
Perth	Fair	17
Prague	Sun	27
Rangoon	Thunder	33
Reykjavik	Rain	14
Rio	Fair	16
Rome	Fair	33
S. Frsco	Sun	25
Seoul	Shower	31
Singapore	Fair	33
Stockholm	Fair	19
Strasbourg	Sun	28
Sydney	Rain	18
Tangier	windy	31
Tel Aviv	Sun	34
Tokyo	Shower	30
Toronto	Fair	26
Vancouver	Fair	22
Venice	Sun	35
Vienna	Sun	28
Warsaw	Drzzl	21
Washington	Fair	31
Wellington	Fair	11
Winnipeg	Fair	27
Zurich	Sun	28

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Bayernwerk arm helps push Viag to 28% profits increase

Viag, the German industrial group, posted a 28 per cent pre-tax profits increase to DM1.92bn ($1.08bn), meeting analysts' expectations. The improvement came mainly from the performances of Bayernwerk, the energy division, and the SKW chemicals operations. **Page 18**

YPF weathers fall in crude price

Second-quarter operating income at YPF, the Argentine oil company, fell 17 per cent to $344m while net profits dropped 30 per cent to $157m. The publicly traded oil company fared better than expected in spite of a 26 per cent drop in global crude prices. **Page 19**

NZ Telecom's dominance addressed

Telecom makes up about 30 per cent of New Zealand's key 40 index, but with many of its shareholders living in the US it is vulnerable to Wall Street quivers. Winston Peters (left), the treasurer, caused further wobbles this week when he threatened "quick action to even up the playing field", which he said favoured Telecom because of its size and dominance. **Page 36**

Kuala Lumpur combats property glut

Rising vacancies and falling prices mean Malaysian property is heading for a crisis, and the supply of non-residential property is expected to rise sharply, exacerbating the glut. But the central bank has employed a variety of counter measures. **Property Column, Page 20**

New regime moves to aid Postabank

Hungary's new government means business in changing the fortunes of Postabank, the struggling third largest bank. After gaining a 75 per cent stake, the government, headed by Viktor Orban (left), announced a management shakeout. An extraordinary meeting of shareholders today is expected to install a group close to the finance minister to head the bank. **Page 18**

India cashew nut sector threatened

India's position as the world's main producer and exporter of cashew kernel is under threat. Other countries are graduating from being exporters of raw nuts to selling cashew kernel, making it more difficult for Indian factories to buy enough raw material. **Page 26**

COMPANIES IN THIS ISSUE

CROSSWORD, Page 26

MARKET STATISTICS

Daimler and Chrysler forecast sharp rises in sales and profits

By Nikki Tait in Detroit

Profits and sales at Daimler-Benz and Chrysler, the two carmakers planning the world's biggest industrial merger, should rise sharply in coming years on the back of buoyant demand and restructuring.

The forecasts made yesterday in formal documents sent to Chrysler shareholders confirmed analysts' expectations that profits growth at Daimler-Benz would outpace that at Chrysler as restructuring plans at the German group take effect. The statements – and a separate, similar report to Daimler-Benz's shareholders later this week – will form the basis for shareholders of both companies to vote on the planned $40bn merger at separate meetings on September 18.

Daimler-Benz expects earnings before interest and tax in its car division to surge from DM3.4bn ($1.87bn) this year to DM5.9bn in 2000. Profits in commercial vehicles should rise from DM1.3bn to DM2.3bn in the same period.

Chrysler is also forecasting a substantial rise in profitability. After tax earnings should climb from $3.1bn this year to $4.9bn in 2002 under its current financial plan. The two companies expect sales to climb substantially. Chrysler's revenues should grow from around $63.7bn this year to about $80.5bn in 2002.

Daimler-Benz, meanwhile, is looking for sharper growth. Its car sales are projected to rise from DM59.4bn in 1998 to DM69.2bn in 2000 and commercial vehicles from DM40.2bn to DM44.2bn.

Chrysler's forecasts do not anticipate any slump in the US car market, with North American vehicle sales remaining at around 15.6m a year between 1998 and 2002. However, its advisers also used a "sensitivity case" providing for an industry downturn in making their assessment.

The companies said they would pay "approximately the same annual dividend amount currently paid to Chrysler shareholders", received either in US dollars or German marks. Dividend levels were one of the potentially most contentious issues in the deal.

Chrysler shareholders will be offered 0.6235 shares in DaimlerChrysler for each Chrysler share currently held.

The merger document also deals with compensation and board structure. DaimlerChrysler's supervisory board will have 20 members: 10 elected by holders of DaimlerChrysler ordinary shares and 10 by employees of the merged group, with the chairman having the casting vote.

The management board will have 18 members, 50 per cent designated by Chrysler and 50 per cent by Daimler-Benz.

There will also be two additional members representing Daimler's non-automotive interests.

Chrysler proxy document, Page 19

Sir David Barnes, chief executive of drugs group Zeneca, which unveiled stronger first half sales increases in pharmaceuticals than its larger UK rivals, driven by 24 per cent growth in the US. Page 21 Picture: Jason Orton

Kerkorian talks may lead to sale of MGM

By Richard Tomkins in New York

Another chapter in the chequered history of Metro-Goldwyn-Mayer looked set to begin yesterday when Kirk Kerkorian, the Las Vegas-based financier who controls the Hollywood movie studio, effectively put it up for sale.

MGM said it was considering "various strategic alternatives" for the company and had entered "informal discussions with unidentified companies regarding possible business combinations".

"Such discussions are preliminary in nature and no assurances can be given as to the outcome," MGM said.

The announcement came less than two years after Mr Kerkorian, a previous owner of MGM, and Seven Network, the Australian cable television company, bought the movie studio from Crédit Lyonnais, the state-owned French bank, for $1.3bn.

Last November MGM became quoted on the New York Stock Exchange through an initial public offering that left Mr Kerkorian with 65 per cent of the shares, Seven Network with 25 per cent, and the public with 10 per cent.

Yesterday MGM's shares jumped 1\frac{1}{16}$, or 6 per cent, to 18\frac{1}{16}$ in early trading, giving the company a market value of $1.2bn. In November, its shares were offered at $20 each.

MGM is one of the world's best known brand names, and its roaring lion trademark is one of the world's most widely recognised images. But the company has shrunk considerably since its heyday and has failed to make an operating profit since 1988.

Some in the movie industry blame Mr Kerkorian for MGM's woes, saying he asset-stripped the company under his previous period of ownership – even to the point of selling heirlooms such as the loincloth worn by Johnny Weissmüller in Tarzan.

In 1990 Mr Kerkorian sold MGM to Giancarlo Parretti, the Italian financier, for $1.3bn.

Mr Parretti lost the company to Credit Lyonnais two years later after defaulting on loans extended by the bank to pay for the acquisition.

MGM is laden with debt and made a net loss of $128.1m last year. It is regarded by some industry analysts as too small to compete in a highly volatile market dominated by giants such as Walt Disney, which can afford to bear the costs of the occasional flop.

However, even after Mr Kerkorian's sale of the MGM movie library, the company still owns a valuable asset in the form of the United Artists library, which includes the James Bond and Pink Panther series among its 4,000 titles.

Lex, Page 16

Shell links profits fall to oil price and Asia

By Robert Corzine

Royal Dutch/Shell yesterday reported a 17 per cent drop in second quarter net profits to $1.54bn, as low crude oil prices and the fallout from the Asian economic crisis undermined earnings at the Anglo-Dutch oil and gas group.

First half net profits, calculated on an adjusted current cost of supplies basis, were down 20 per cent to $3.48bn. Executives said the company's six-month performance was second only to Exxon among the US and UK integrated oil companies. But shares in Shell Transport and Trading, the UK-listed arm of the group, finished seven per cent off at 356p, down 26½p.

Mark Moody-Stuart, the chairman of Shell's collective leadership, said the decline came against a backdrop of uncertainty about future oil prices and the impact of the Asian economic crisis.

Although there was a possibility of a fourth quarter "lift" in crude prices if production cuts were maintained, he said, Shell could not rely on a return to $18 a barrel, the level at which it has based future medium-term performance targets. But he insisted such targets would stay in place.

He cited weak demand for chemicals in Asia as an example of how the region's downturn was affecting global industries. Surplus Asian chemical output is being diverted to the US and elsewhere, undermining prices.

Shell's oil production was up 4 per cent in the second quarter, but the 26 per cent fall in crude prices caused exploration and production profits to tumble 46 per cent to $507m, compared with $934m.

Shell executives would not comment on speculation of possible European joint ventures in refining and marketing, although Mr Moody-Stuart said consolidation would benefit all parties. He said global downstream earnings were off 10 per cent to $683m.

Chemicals, a perennial problem for Shell in spite of restructuring, saw profits fall 28 per cent to $172m.

Profits in Shell's downstream gas and power generation business rose 561 per cent to $119m, but it was mainly due to a one-off increase in dividends from Shell's stake in Ruhrgas in Germany.

Commodities, Page 26

WorldCom makes $6.1bn corporate bond issue

By Vincent Boland

WorldCom, the US telecoms group, yesterday launched a $6.1bn corporate bond issue. This latest and largest such transaction coincides with a wave of mergers and acquisitions activity in the US.

WorldCom is merging with MCI Communications in a $37bn all-share transaction. It is paying $7bn in cash to British Telecom for the latter's 20 per cent stake.

The bond issue, the world's biggest investment grade corporate bond, is part of a $12bn refinancing of the company's debt following approval of the merger by authorities on both sides of the Atlantic.

The issue caps a busy week for the international corporate bond market. Bell Atlantic, another US telecoms group, launched the biggest "exchangeable", a type of convertible bond, while Fannie Mae, a mortgage lender to American home buyers, created the biggest non-government bond by adding $8bn to a $4bn issue.

The markets had been expecting a jumbo issue from WorldCom and its arrival yesterday restricted other activity in the US dollar sector, usually the busiest area of the market.

It was sold against a background of volatility in the equity markets, which has spilled over into the corporate bond market.

"This may see the return of some stability, certainly in the investment grade market," said Geoffrey Coley, managing director at Salomon Smith Barney in New York, the investment bank that lead-managed the bond issue. WorldCom is rated Baa2 and BBB minus by Moody's Investors Service and Standard & Poor's, respectively.

WorldCom was marketing the deal heavily to US investors this week but did not reveal until yesterday the final amount it would raise. The size was set at $5.5bn and then increased by $600m as demand for the paper flooded in, mainly from US investors.

The company did notmarket the issue in Europe, and bankers in London did not anticipate much international demand for the bonds. "They have called it a global bond, but this type of issue is not a natural product for an international investor base," one bond syndicate banker said.

Salomon said there were international sales but added that demand, which reached about $10bn, was driven by big US institutions familiar with the WorldCom name. It is one of the most aggressive US telecoms groups and its merger with MCI vaulted it into the sector's front rank.

The mandate to lead-manage the bonds will boost Salomon's ranking among US bond underwriters.

The bonds were issued in four tranches. WorldCom is selling $1.5bn of 3-year bonds, $600m of 5-year bonds, $2.25bn of 7-year bonds and $1.75bn of 30-year bonds, priced at 70, 83, 94 and 135 basis points respectively, over comparable treasury bonds issued by the US government.

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United HealthCare shares dive after $900m charge

By John Authers in New York

Shares in United HealthCare, one of the largest health management organisations in the US, fell more than 30 per cent yesterday after it announced it was taking a $900m restructuring charge.

The decline raised doubts about the company's ability to complete its $5.5bn all-stock acquisition of Humana, another healthcare provider.

United stressed that the charges, covering a sweeping reorganisation of the company and its withdrawal from businesses where it did not believe it could make a profit, were unconnected to the Humana deal.

Humana refused to comment on the charges until it had "worked with United's management to understand the problem underlying the action taken today and its impact on the proposed combination of the companies".

By mid-session both companies had incurred savage losses, with United down $16¾, or 32 per cent, at $36. It was trading at $64¾ when the acquisition was announced. Humana fell $8¾, or 34 per cent, to $17, below its level when the deal was announced.

United's move confirms the deep woes for the health management sector, which has seen several large mergers in the last two years as companies have looked for economies of scale. All have been followed by much higher write-offs than had been expected.

United, which has 6.7m members, said revenues increased 44 per cent to $4.2bn for the second quarter. After the $900m charge was taken into account, it made a net loss of $565m for the quarter, following a $116m profit in the second quarter of last year.

United said that $620m of the charge was to cover its withdrawal from various markets, mostly covering its Medicare operations for the elderly. It said that medical costs had been "much higher and more volatile" than it had projected, because high utilisation of services by in-patients had taken it by surprise.

It said its current projections suggested "unacceptably high future losses" from the businesses. It is withdrawing from Medicare markets in 35 counties in the US and curtailing its plans to start in a further four counties.

Dr Bill McGuire, chief executive, said: "We have taken the serious step of assessing our market endeavours in Medicare and the environment within which we operate and adjusting or in some cases curtailing our efforts. We are taking our medicine."

United is writing off $70m relating to research and development for its publishing enterprises and $55m for its specialised care services operations.

A further $190m will cover the consolidation of its operating activities and systems platforms. A $90m charge will cover cost reduction, including severance pay.

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CARMAKING STRONG DEMAND FOR 9-5 SALOON PUTS LOSS-MAKING SWEDISH GROUP ON ROAD TO RECOVERY

Saab steers back to profit as sales rise 14%

By Tim Burt in Stockholm

Saab, the loss-making Swedish carmaker, is expected to announce today that it will return to profit later this year, following a solid rise in sales and reduced marketing costs.

The company last reported a quarterly profit in 1995.

Saab, managed and 50 per cent owned by General Motors of the US, has seen unit sales rise 14 per cent in the first half of the year following the launch of its new 9-5 saloon.

Strong demand for the car, developed at a cost of SKr5.5bn ($692m), will help the group return to profit in the last three months of the year, say senior officials.

Saab will also announce today it has resolved supply problems that disrupted sales of the 9-5 in the US, the company's most important market, earlier this summer.

Of the estimated 10,000 cars produced by Saab in July, 50 per cent were sent to North America to address supply shortages there.

That helped lift sales in the US by 11 per cent to 3,106 last month, although sales there in the first seven months of the year were down 4 per cent to 15,977 vehicles.

In spite of the improved outlook, Saab will publish first-half losses today.

Industry analysts expect a deficit in the same region as the SKr600m loss reported in the first half of 1997. For the whole year, Saab reported a loss of SKr1.13bn after marketing and development spending rose 20 per cent.

Although sales have improved this year and marketing costs have fallen, the first half was undermined by Danish strikes in May, when component shortages forced Saab to halt production.

"The first six months will show most of the losses we expect to incur this year," said one official. "But we fully expect 1999 to be our first fully profitable year for some time."

Since 1989 – when GM acquired its stake from Investor, the main investment vehicle of the Wallenberg business empire – Saab has accumulated total losses of SKr12bn. During that period, it has been recapitalised four times.

● Shares of Renault gained ground in a weak Paris market yesterday after the French carmaker published strong first-half sales figures, writes David Owen in Paris. The company said consolidated revenues rose more than 21 per cent to FFr121.7bn ($20.5bn), with both cars and commercial vehicles making good progress.

The automobile division accounted for just under 80 per cent of group revenues, buoyed by higher sales volumes. The shares closed up FFr8.50, or 2.8 per cent, at FFr312.

Alarms unit fuels rise at Securitas

By Tim Burt in Stockholm

Securitas, Europe's largest security services group, yesterday said rapidly rising demand for alarm systems and restructuring benefits in its German and UK operations had fuelled a 27 per cent increase in first-half profits.

The Swedish company, which controls about 10 per cent of Europe's SKr180bn ($22.64bn) security market, saw pre-tax profits rise from SKr230m to SKr291m in the six months to June 30.

Hakan Winberg, chief financial officer, said the results reflected a particularly strong performance by Securitas Direct, the company's alarms business, which helped lift group sales from SKr5.1bn to SKr5.96bn.

"It is our fastest growing unit by far, with sales up 34 per cent," he said. "But we have also seen the payback from restructuring the German cash-in-transit business."

Operating profits, up from SKr307m to SKr392m, partly reflected the turnround of Security Express, the group's UK arm, which was acquired in 1996.

At the sales level, volumes rose following maiden first-half contributions from newly acquired companies, including SGI Surveillance of France and Sweden's Tele-Larm.

Over the past 18 months, the company has acquired eight companies with combined sales of SKr7.62bn.

That spree culminated in June, when Securitas bought Proteg of France and the guarding operations of Germany's Raab Karcher in deals worth SKr3.3bn.

Mr Winberg said the company would be taking restructuring charges of FFr100m ($17m) and DM15m ($8.5m) respectively for those operations.

First-half earnings per share rose from SKr2.18 to SKr2.81 and operating margins increased from 6 per cent to 6.6 per cent.

In Stockholm, Securitas's most commonly traded B shares rose SKr4 to SKr439, against a 48-point fall on the general index.

Hungary cleans out the stables at Postabank

The new government has moved fast to bring transparency into a state-owned muddle, writes **Kester Eddy**

There were a lot of angry people around Postabank's headquarters in Budapest on March 1 last year. While the then prime minister, Gyula Horn, rushed to assure a panicking population that savings were safe, police tried to calm the crowds besieging the bank, opened over the weekend especially to defuse passions.

The anger, however, was not over rumours that the bank had insufficient funds to cover commitments to depositors. On the previous day, patient customers had been prepared to wait all night for the chance to extract their savings, but the bank issued numbered place tickets to persuade them to go home to bed.

Next morning, the tickets proved useless. Officials ignored them, and the police were left to do Postabank's damage limitation exercise in public relations. The collapse in confidence eventually cost the bank about Ft67bn ($310m) in deposits.

Postabank, now the country's third largest commercial bank, with assets of Ft370bn, has always been different. When founded in 1988 it was dubbed "private" (although the state held most of the bank indirectly) and had a clean loan portfolio. It had only six branches, but teamed up with the post office to gain unrivalled access to the public.

Around it, rival state-owned banks were tied to loss-making communist-era industrial and financial behemoths floundering in the market economy. Overburdened with bad loans to their related companies, the banks were driven into crisis before the state recapitalised and sold them.

Postabank is still a case apart. Today it is state-owned and burdened with consolidated losses for 1997 of Ft 13bn. It holds a complicated portfolio of stakes encompassing media and real estate, few of which are performing well.

The logic of these links to non-core businesses is described by the rating agency Thomson Bankwatch in a recent report as "not always transparent". Peter Dingeldein of Thomson Bankwatch is more succinct: "It's a complete mess. Something has to be done to see what exactly the hell is going on."

Efforts in spring to find a strategic partner failed when the regulator rejected a complicated deal with Singer & Friedlander, the UK investment bank. The government then ordered a Ft 24bn bail-out, which led to an increase in state control but no change of management. Cosy personal relationships between Postabank's chief executive, Gabor Princz, and the then prime minister meant radical solutions would be slow in coming.

However, the new Fidesz-led government which took power last month had a different agenda. Two weeks ago, after a struggle to gain a controlling 75 per cent stake, the government announced a management shake-out. A US-style "cease and desist order" was issued, restraining management to simple transactions. Last Friday, the banking regulator suspended the board and top management, and installed a commissioner.

But the regulator's take-over was accompanied by more controversy over the bank's real financial situation. According to leaked details of a review by the auditors KPMG, creative accounting by the former management had covered a hole of some Ft 104bn in the balance sheet. As one auditor put it: "If the figures are correct, this is almost one third of total assets. It would be very difficult to make that many bad loans just from bad judgment."

An extraordinary shareholders meeting today is expected to install a group close to the Minister of Finance, Zsigmond Jarai, to head the bank.

While Postabank is expected to shed its non-core activities, including the media holdings, Mr Jarai, an advocate of privatisation, has said the bank itself should remain state-owned.

Observers believe this stance will soften in time. As a banking official in Budapest put it: "They need two years to restructure, then privatise. I am sure it's in their heads."

Pillars of Budapest finance: but auditors have found a hole in Postabank's balance sheet — Kester Eddy

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Wolters Kluwer climbs as sales beat forecast

By Jeremy Gray in Amsterdam

Wolters Kluwer, the acquisitive Dutch publisher, yesterday unveiled strong first-half earnings which it attributed to recent expansion and better than expected sales growth.

Net profits climbed 17.6 per cent to Fl 287m ($144m) on sales of Fl 2.81bn, ahead 15.9 per cent.

Net earnings per share rose 16.5 per cent, from Fl 3.57 to Fl 4.16, slightly ahead of its goal of 15 per cent for the year. Both figures include write-downs of goodwill.

The company, which in March failed to agree a merger with larger rival Reed Elsevier, forecast a 17 per cent rise in full-year earnings.

Excluding acquisitions, which boosted sales by 7 per cent, revenues grew just 5 per cent but generated a 10 per cent rise in operating income.

Favourable exchange rates boosted sales by 3 per cent.

Jeff Meys, an analyst at ABN Amro in London, said core sales growth was better than general expectations of 4 per cent, but the figures were "nothing spectacular".

"It's more the fact that organic sales are moving in the right direction," he said, adding that there was nothing amiss in the company's reliance on acquisitions for a big slice of its growth.

Wolters Kluwer said it spent Fl 1.2bn on takeovers in the first half, including Waverly, the US medicine and science publisher, as well as Thomson Sciences' medical and scientific titles. These increased group sales by one-fifth, or about Fl 600m.

Last month saw the completion of its $258m purchase of Plenum, making Wolter Kluwer the world's second-largest scientific publisher.

However, Wolters Kluwer said it would continue to shed its Dutch and Belgian trade publishing activities, which the company no longer regards as core operations.

The shares closed up 2.2 per cent in Amsterdam at Fl 309.

Viag posts 28% rise for year

By Tobias Buck in Bonn

Viag, the German industrial conglomerate with interests encompassing energy and telecommunications, yesterday reported a 28 per cent rise in pre-tax profits, to DM1.92bn ($1.08bn), in line with analysts' expectations.

All divisions – energy, chemicals, packaging, logistics and telecommunications – reported an advance, with group revenues rising from DM28.6bn to DM26.8bn.

The improvement came mainly from the performances of Bayernwerk, the energy division, the SKW chemicals operations, the aluminium and rolled products business units and the group's Klöckner & Co logistics operations.

The sale of Viag's 80 per cent stake in Computer 2000, the personal computer distributor, to Tech Data of the US resulted in an extraordinary gain of DM500m.

Results from Viag Interkom, the telecoms joint venture with British Telecommunications and Telenor of Norway, were included for the first time – sales were DM65m. Viag said it had invested DM205m in its telecoms operations this year.

The group said it expected the recent alliance between BT and AT&T to produce advantages for its business. Analysts yesterday were upbeat about the deal, expecting that AT&T would bring its customer base into Viag Interkom and would take a stake in the venture.

Deepwater oil drive puts Aker's US unit in front

By Valeria Sköld in Oslo

In the one and half years since Svein Eggen took over as president of Aker Maritime's US operations, Aker Maritime Inc has returned to profit and become the main revenue-earner for the parent Norwegian oil service company.

Yesterday, the US unit reported the highest first-half operating profit out of Aker Maritime's five business areas, with a better-than-expected NKr131m ($17.3m). It also boasts the highest profit margin in the group and the largest contribution to revenues, after engineering and construction unit EPC Norway.

"Two years ago, [the US division] was one of the lowest [performing], says Mr Eggen, who served eight months as Aker Maritime's chief executive after it was formed by the 1996 merger of Aker Olje og gassteknologi and Maritime Group. "I think it's simple. The market is there, and we had a clean, straightforward strategy."

That market is deepwater offshore oil developments below 1,000 metres, which demand a special floating oil platform. A recent report by Douglas Westwood in London expects global annual deepwater spending nearly to double over the next five years, to $18.8bn.

The key to capitalising on this business, Mr Eggen hopes, will be the company's experience in building oil platforms in the Gulf of Mexico, and its ability to draw on expertise from other areas of the group. It has has formed alliances in the US with Royal Dutch/Shell, Conoco and Chevron, which are also pushing further into deepwater exploration.

The group's first priority outside the Gulf of Mexico is the Caspian Sea, where several oil groups will invest $40bn in the next 10 years, extracting estimated oil reserves of about 200bn barrels. Just half of that would be about three times all reserves found in the Gulf of Mexico.

"Even if it's just half, it's an enormous figure," Mr Eggen says.

The company is targeting Brazil, whose offshore oil industry was closed to international competition until this summer.

Finally, it has its sights set on West Africa, where it sees about 12 ultradeep fields in Angola being developed.

Five-fold increase at halfway beats analysts' forecasts

Aker Maritime yesterday reported a five-fold rise in first-half net profit, exceeding analysts' expectations, **writes Valeria Sköld.**

Net profit rose from NKr47m a year ago to NKr240m ($32m), while operating profit quadrupled to NKr415m. Analysts were looking for a net profit of NKr235m and an operating profit of NKr397m.

The company attributed the improvement partly to increased sales, which passed NKr5bn for the first time.

Higher profits in existing operations also contributed, as well as the acquisition and integration of new companies.

NEWS DIGEST

PHARMACEUTICALS

Schering shares fall 6% as it disappoints midway

Shares in Schering, the German pharmaceuticals company, slid 6 per cent after disappointing first-half results. Group profits rose marginally, from DM285m to DM307m ($173m). The Berlin-based group reported operating profits of DM488m in the first half, ahead 2 per cent. Earnings per share rose from DM4.17 to DM4.50.

Sales rose from DM3.10bn to DM3.22bn this year. The group suffered in Asia, where turnover dropped 16 per cent to DM374m. German sales fell 2 per cent to DM491m, reflecting severe price pressure in the market for contrast media, the company said. Meanwhile, sales growth in the US had been lower than expected.

Betaferon, the multiple sclerosis drug, was again the company's best-seller, bringing in revenues of DM362m, up 10 per cent from the first half of last year. However, analysts warned it would lose market share to competitors over the next six months, while Schering had no potential blockbusters ready to take Betaferon's place.

"The results were below expectations, particularly the second quarter," said Christa Bähr, analyst with Frankfurt-based BHF-Bank. Earnings per share for the whole year would be DM7, slightly lower than earlier expectations, she said. **Tobias Buck, Bonn**

ISRAEL

Teva posts sharp fall

Teva, Israel's largest pharmaceuticals company, yesterday reported a sharp fall in net income for the first six months, as poor performance of one of its main drugs in the US continued to stifle growth.

Net income fell to $42.2m from $65.4m over the same period last year, while revenues fell from $538.2m to $515.7m. The second-quarter figures were even more depressed, with net income reduced by nearly 50 per cent to $17.1m. Revenues fell from $270.7m to $247.1m. Eli Hurvitz, president and chief executive, said the second quarter "was the worst and most difficult quarter we have had in many years". He blamed the company's underperformance in the US, particularly in sales of Clonazepam, a generic drug.
Judy Dempsey, Jerusalem

Scitex back in black

Scitex Corporation, the Israeli-based world leader in digital imaging solutions for graphics communications, returned to profit for the first six months of the year after a restructuring programme. Net income was $5.7m compared with a net loss of $7.3m last year. This does not include a one-off charge for research and development acquisitions totalling $44.3m. Revenues over the same period remained largely unchanged at $330m. Second-quarter results showed strong growth, with net income jumping from $157,000 to $3m, while revenues rose 2 per cent to $171m. **Judy Dempsey**

INSURANCE

Codan warns of provisions

Codan, the Danish insurance company controlled by Royal Sun Alliance of the UK, warned yesterday it would have to make extra provisions this year because of heavy increases in tax payments under legislation passed in June.

Codan said it would pay DKr200m ($29.6m) in addition to ordinary corporate profits tax of DKr100m in the general insurance business, and would make an extraordinary allocation of DKr250m in the life assurance business. "The new rules imply that, contrary to all other industries, general insurance companies are subjected to double taxation of gains on equities and to current taxation of increases in the market value of domicile properties," the company said.

The comments came as Codan reported a 7 per cent rise in first-half premium incomes, to DKr3.40bn. Claims in general insurance fell, value adjustments on the investment portfolio brought gains of DKr487m against DKr324m last year, and pre-tax profits advanced from DKr511m to DKr864m. Profits in general insurance rose from DKr415m to DKr642m, taking return on equity from 20 to 33 per cent. **Hilary Barnes, Copenhagen**

CAR COMPONENTS

Autoliv plans Polish plant

Autoliv, the Swedish-US airbag and seat-belt manufacturer, yesterday said it had begun work on a new $10m production plant near Wroclaw in Poland. Output is expected to increase by 50 per cent over the next three years to about 750,000 vehicles. Autoliv also said it would supply components to plants elsewhere in Europe. Overall, the facility is expected to lift the company's capacity to produce airbags by 15 per cent and seat belts by 10 per cent. **Tim Burt, Stockholm**

MAK-TEL PRIVATISATION

ING Barings subscribes early

ING Barings, the Dutch banking group, has subscribed to $25m of convertible bonds in Makedonski Telekomunikacii, Macedonia's state telecoms operator, ahead of its planned privatisation later this year. Macedonia plans to sell at least 33.3 per cent of the company to an international telecoms operator. ING's investment was made through participating in a loan provided by the International Finance Corporation, the World Bank's private sector arm. The IFC has already subscribed to $25m of convertible bonds in Mak-Tel on similar terms. The bond issue was arranged by CIBC World Markets. **Kerin Hope, Athens**

INVESTMENT BANKING MICHAEL CARR MADE MANAGING DIRECTOR

Goldman Sachs woos Salomon M&A man

By William Lewis in New York

Michael Carr, one of the best known merger and acquisition bankers on Wall Street, was yesterday poached by Goldman Sachs from Salomon Smith Barney.

The terms of his multi-million dollar share-based recruitment package were not disclosed but competitors said it was part of Goldman's attempt to lure the top talent from competitor investment banks ahead of its flotation later this year.

At a meeting this Monday Goldman partners are expected to vote to press ahead with a plan to transform the partnership into a public company in the autumn.

Competitors said yesterday that Goldman was using the lure of lucrative stock grants to attract Wall Street's top talent.

"This was a once-in-a-lifetime opportunity for Michael," said one person close to the situation. "When you are faced with such huge sums on offer, what would you do?"

In recent weeks, Goldman is said to have made discreet approaches to a handful of top-ranked bankers, traders and research analysts. "I would expect a few more high profile recruitment announcements in the next few weeks," said one executive at a competitor investment bank.

Mr Carr was one of three co-heads of M&A at Salomon Smith Barney, the investment bank owned by Travelers Group. He informed staff of his decision yesterday morning and senior executives were expected to announce a successor later in the afternoon.

Mr Carr is joining Goldman as a managing director, with status equivalent to a partner, people close to Mr Carr said.

Mr Carr could not be reached for comment. In recent months he has been involved in many of the largest M&A deals including advising Northrop Grumman, the US defence company, in its aborted merger with Lockheed Martin.

Mr Carr is the latest of several big hitters on Wall Street to join Goldman ahead of its expected flotation. In March it announced that it had recruited Ken Wilson, a specialist financial services M&A banker, from Lazard Frères.

Goldman and Salomon Smith Barney declined to comment.

Tel-Save's on-off sale tale

Investors are increasingly confused over the future of the US telecommunications group, writes **William Lewis**

In the increasingly whacky world of Wall Street takeovers, few situations illustrate the nature of the merger and acquisition frenzy better than the attempted sell-off of Tel-Save, the US telecoms company.

Earlier this week, Tel-Save, which provides long-distance telecoms services to small businesses and residential customers in the US, said that by Monday it would provide investors with its latest update in its attempt to find a buyer for the company.

"By Monday, I will release earnings and any significant events," said Dan Borislow, chairman.

Yet for investors who have watched the company's stock price fall from $30 in February to around $12, Mr Borislow's comments have been greeted as just one of several in recent months that have added to, rather than reduced, their concerns about the company's future.

They have grown increasingly exasperated as a string of statements in recent months by Mr Borislow have led to confusion about whether the company – floated in 1995 – is going to sell itself off or buy back some of its own stock. "The company has been in limbo for months now, and one can only wonder what that is doing to its performance," one investor said yesterday.

In particular, investors have been concerned by the way in which Tel-Save has missed deadlines – albeit self-imposed ones – for declaring whether it is selling out. And given the extent of the decline in the stock price during the sell-off process, shareholders say that if Tel-Save is able successfully to announce a takeover, they will only be satisfied if it includes a substantial premium.

"If it happens, and it has to be a big if, we are all going to watch the terms very closely indeed, given the loss situation," one said.

The saga dates back to February, when Mr Borislow announced that Tel-Save had taken on Salomon Smith Barney to advise on the possible sale of the company. The telecoms industry has been hit by a wave of consolidation in recent months and analysts say Mr Borislow has made clear his determination for Tel-Save to be part of it.

Tel-Save said it was in talks "with a number of potential suitors who have expressed various levels of interest in acquiring the company". The announcement was followed by a buying frenzy in Tel-Save's stock, with the shares hitting a high of $30 as more than 2m shares changed hands. On March 10, Mr Borislow – described by one analyst as "larger than life" – said the company was evaluating "more than one but less than five" offers, but that no decision had been reached.

He added that the company still hoped to make a decision by the end of the first quarter but warned that the sell-off process was taking longer than expected.

A few days later, on March 25, he said he would decide by April 15 whether to merge with another company, but added: "I believe there is a strong probability the company will remain independent, grow quickly and become a larger, more valuable company."

Yet on April 13, two days before the deadline, Mr Borislow said: "We have taken the advice of our investment bankers and extended the deadline," but stopped short of declaring a new deadline.

And so it went on. On June 29, Mr Borislow declared that "we will either get something done in the next two weeks or buy back the stock", as the company's stock price hit $15.

But on July 23 Tel-Save said it had been approached by a new suitor, described as an internet-related company, and that this had delayed the company's decision on whether to sell out or buy back stock. Tel-Save also said that it remained in talks with other telecoms companies.

Analysts say the Tel-Save tale illustrates the potential dangers companies face in attempting to put themselves up for sale. "Unfortunately there were always guesses at timeframes associated with those updates," says Charles DiSanza, analyst at Gerard Klauer Mattison.

Tel-Save said yesterday that many of the difficulties had been caused by the nature of a marketing relationship it has with America Online, the internet service provider. "A lot of it has to do with there being a third party involved," a Tel-Save spokesman said. AOL "definitely has a say in the matter," he said.

The spokesman conceded that the company's credibility had been affected during the saga. "The company has lost some credibility," he said, but added that if a deal was announced, "goats will turn into horses overnight".

Chrysler proxy details $40bn Daimler merger

By Nikki Tait in Detroit

Shareholders in both Chrysler, the Detroit-based vehicle maker, and Germany's Daimler-Benz will have some heavy reading to do over the next month.

When the US company yesterday released its long-awaited proxy document, explaining the details of the planned $40bn merger with Daimler, it ran to more than 200 pages, including annexes. Daimler's version will be sent out on Saturday.

Some of the points most likely to attract attention of analysts and investors include:

● Business projections. In assessing the share exchange ratio and attempting to establish what is fair to shareholders of both companies, advisers have had to look at internal projections. These are not firm forecasts, but they do give an indication of management's expectations, under certain market assumptions.

Chrysler, for example, thinks revenues will grow from about $63.7bn in 1998, to $71.1bn, $71.2bn, $76.4bn, and $80.5bn over the next four years to 2002. Net income, meanwhile, should rise from $3.1bn, to $3.3bn, $3.3bn, $4.1bn, and $4.9bn. This assumes the healthy North American automotive market does not suffer a setback, and that retail incentives are about $1,250 a vehicle in 1998, increasing slightly in 1999 and 2000 as new models are launched.

Daimler foresees car revenues of DM59.4bn, DM66.6bn, and D69.2bn and pre-interest earnings of DM3.4bn, DM5.4bn, and DM5.9bn between 1998 and 2000. Commercial vehicle revenues are projected to grow from DM40.2bn to DM42.4bn and DM44.3bn over the same period, and earnings before interest and tax from DM3.4bn to DM1.3bn, DM2.1bn and DM2.3bn respectively. These numbers depend on the successful launch of the new S-class and continued growth in the C-class and M-class lines.

● Management benefits. Chrysler's top executives will get cash pay-outs under the incentive plan for performance in 1998, up to the merger, ranging up to $8.78m for Bob Eaton, chairman. Existing stock option plans also entitle managers to both DaimlerChrysler shares and stock appreciation rights over more DaimlerChrysler shares. Again, Mr Eaton benefits most, receiving 828,277 shares and appreciation rights on a further 2.27m.

● The terms. Chrysler shareholders will be offered 0.6235 of a share in the merged DaimlerChrysler group for each Chrysler share they currently hold, giving them about 42 per cent of the merged company's equity. These shares have already been approved for listing on the New York Stock Exchange, and will probably also be listed in Chicago, on the Pacific Exchange, in Philadelphia, London, Paris, Montreal, Toronto, the Swiss exchange, Vienna, Tokyo and all German exchanges.

The companies say they will pay "approximately the same annual dividend amount currently paid to Chrysler shareholders", received either in US dollars or D-Marks.

Each DaimlerChrysler share gives the holder the right to one vote at general meetings. A 75 per cent majority will be needed for certain decisions – including capital increases or decreases, a dissolution of DaimlerChrysler, a change in the merged company's "corporate form", and a takeover or merger of DaimlerChrysler itself.

● Ongoing compensation. The companies say that they will provide benefit programmes, including stock option schemes, that will be competitive "with those generally provided in the US domestic automotive and automotive finance industry and the German automotive and automotive financial industry respectively". They also undertake that for at least two years, compensation levels will not be reduced as a result of the merger.

Wall St strategists upbeat

By John Authers in New York

Several Wall Street investment strategists said yesterday that corporate profits for the second quarter – one of the most important catalysts for the sharp shares sell-off earlier this week – have been distorted by a few sectors, and that earnings growth remains much stronger than it appears.

According to First Call, the Boston-based research agency, earnings for the companies in the S&P500 increased at an average rate of 2.7 per cent, with reports in from 86 per cent of companies. The remaining reports are mostly from retailers, which are thought to have had a good quarter, but it is unlikely that total profits growth will be much more than 3 per cent for the quarter.

Bearish comments by influential commentators about these figures – led by the usually positive Ralph Acampora, of Prudential Securities – helped depress sentiment earlier in the week. Heavy volatility continued on Wall Street yesterday morning, although by mid-session share prices were not significantly changed for the day.

The balance of opinion from strategists who have commented since Tuesday, including many not normally regarded as bullish on equities, is that share prices have merely corrected, and that there is no need for them to go much lower.

Abby Joseph Cohen, co-chair of Goldman Sachs' investment committee, and a well-known market optimist, said earnings were "better than you think". She said: "Our preliminary review of S&P500 operating earnings per share indicates that profit growth was about 5.7 per cent in the quarter."

She said that reported, as opposed to operating, earnings, did not grow due to a few large one-off charges taken by constituent companies, including charges of more than $1bn by AT&T, Compaq Computer, Motorola and Xerox. Furthermore, there was a wide gap in the performance of different companies and industries, depending on whether their principal exposure was to "the strong US economy or to the more sluggish global environment".

Ed Kerschner, chief investment officer at PaineWebber, said the profit picture was "not in jeopardy". He estimated that operating earnings per share for S&P500 companies had risen by 3.5 per cent if the effects of the General Motors strike were excluded. The median S&P500 company had increased its earnings by more than 10 per cent. "What dragged down S&P earnings was weakness in energy, commodity and technology companies," he said.

Dunlap to leave Sunbeam board

By John Authers in New York

Al Dunlap: agreed to take no legal action for six months AP

Shares in Sunbeam, the troubled US household goods group, tumbled a further 14 per cent yesterday morning in New York, after the company announced it would have to restate its earnings back to 1996 and that "material" adjustments for last year would be necessary.

By midday yesterday, the shares had fallen $1⅛ to $6⅞. The price had reached a high for the year of $51⅝ at the end of March.

The group also announced that Al Dunlap, who was ousted as chief executive two months ago, had also agreed to leave the board. Sunbeam and Mr Dunlap have agreed not to take legal action against each other for at least six months.

This increased the uncertainty surrounding the company, as did the fact that the restated results will not be available until the end of next month.

Sunbeam's troubles have attracted attention on the market because of the colourful history of Mr Dunlap, better known by his nickname of "Chainsaw Al", who had turned round the fortunes of several companies by aggressive cost-cutting before he arrived at Sunbeam in 1996.

Mr Dunlap made several acquisitions earlier this year, but was then required to publish two profits warnings for the first quarter, mainly because the company failed in its attempt to start a winter buying season for outdoor barbecue grills. It eventually recorded a loss of $7.8m for the quarter.

A restructuring plan announced in May was also poorly received, and the share price dipped further. External directors, mostly remunerated in Sunbeam stock at Mr Dunlap's suggestion, then moved to dismiss him as chief executive.

Under yesterday's deal, Sunbeam agreed to pay Mr Dunlap $52,000 in holiday pay which he was owed for 1996. Russell Kersh, the former chief financial officer, also resigned from the board, and was paid $68,000 to cover 1996 holiday pay.

Sunbeam said it had not agreed to make severance or any other payments to Mr Dunlap or Mr Kersh. However, it will advance legal defence costs to them, which will be reimbursed in certain circumstances.

Cost-cuts help YPF to beat forecasts

By Andrea Campbell in Buenos Aires

Second-quarter operating income at YPF, the Argentine oil company, fell 17 per cent to $344m while net profits dropped 30 per cent to $157m.

The publicly traded oil company fared better than expected in spite of a 26 per cent drop in international crude prices, with operating income 12 per cent higher than market predictions, said Vinod Sehgal, oil and gas analyst with Société Générale in New York.

The group has implemented an aggressive cost-cutting programme that has allowed YPF partially to offset sagging petroleum prices. The capital spending rate for the year stands at $1.4bn, down from an originally planned $1.65bn.

YPF has revamped its refineries with state-of-the-art technology, increasing capacity to 93 per cent, allowing it to replace crude oil production with value-added higher octane gas for sale to US and other foreign markets. As a result, marketing and refinery sales are expected to reach close to $500m this year.

Analysts noted that YPF's net profits for the second quarter, equivalent to 44 cents a share, would have reached 51 cents if not for a $26m increase in environmental reserves by Maxus Energy, the Dallas-based oil and gas company acquired in 1995.

YPF reported operating income of $838m for the first half, down 23 per cent on last time. Net profits were $306m, against $451m. In the same period crude oil prices fell 28 per cent.

CONGLOMERATES PROPERTY AND AVIATION INTERESTS SUFFER ● INTERIM DIVIDEND PER B SHARE CUT 45%

Swire's first-half earnings fall 40%

By Louise Lucas in Hong Kong

Swire Pacific, the British controlled Hong Kong conglomerate, yesterday added to the bearish mood engulfing the territory's markets with a 40 per cent drop in first-half earnings.

Net profits fell from HK$3.31bn to HK$2bn (US$258m). Peter Sutch, chairman, said the remainder of the year would be "a considerable challenge, since I can see no real improvement in economic conditions in Hong Kong and the Asian region".

This was borne out by the group's move to cut dividends by more than the fall in profits. The interim dividend per B share was cut 45 per cent, from 9.4 HK cents to 5.2 HK cents.

The main problems were at Swire's biggest activities, property and aviation.

The group is the single biggest shareholder in Cathay Pacific, Hong Kong's de facto flag carrier, which on Wednesday reported an interim loss of HK$175m, its first loss in more than 20 years.

Property, the backbone of Swire's earnings, also suffered. Property prices in Hong Kong have fallen 40 per cent from the peak last July, and rentals, which are generally fixed on two- or three-year cycles, have also come under pressure.

Net earnings from the division fell by 26 per cent, from HK2.46bn to HK$1.83bn. This was largely due to fewer sales being booked in 1998. Net rental income rose thanks to additional contributions from reinstated areas of a shopping mall and office block.

Around one-third of rental income comes from the stricken retail sector, but Chris Wilmott, conglomerates analyst at W. I. Carr, said indications to date suggested the group's main malls would be able to resist the 40 per cent drop demanded by tenants.

Retail sales have been falling by about 15 per cent year on year, and a number of retailers – including Duty Free Shoppers, part of LMVH, Hong Kong-listed Theme, and Japan's Daimaru – have shuttered stores.

However, shopper turnover only fell 12 per cent at Swire's smart Pacific Place, although Mr Wilmott said this would probably deteriorate further.

Steven Thompson, chief analyst at Nikko Research Centre, said he was encouraged by the company's belief that property remained the best use of surplus cash, and that it would be prepared to replenish its land bank at current levels.

Earnings per B share for the company fell 38 per cent, from 41.9 HK cents to 25.9 HK cents.

Bad-loan blot on HK landscape

Much of banks' lending has been unsecured, writes **Louise Lucas**

The exemplary reputation enjoyed by Hong Kong's banking sector – renowned for its strict supervision and well-capitalised balance sheets – has been tarnished by the latest interim reporting season.

Non-performing loans, as expected, are on the rise. Provisions have been sharply increased to keep up, and more rises are expected. Arguably worse is the revelation that much of this lending has been on an unsecured basis, suggesting further damage to come.

The figures prompted heavy revision of full-year numbers in the investment community. For its 12 banks, Nikko Research Centre is now expecting a full-year decline in earnings of 17 per cent, compared with a fall of 9 per cent. Provisions made so far have more than doubled.

Roy Ramos, regional banking analyst at Goldman Sachs, is looking for at least an 8 per cent rise in the ratio of non-performing loans to total loans. "We expect very heavy provisioning for the balance of the year, and probably also next year."

Bank directors have been at pains to point to the source of bad debts. Hongkong Bank Group, for example, said HK$3.7bn (US$477m) of its HK$6.4bn total charge for bad and doubtful debts and contingent liabilities related to Indonesia and Thailand.

Bad debts emanating from Hong Kong – from the domestically focused Bank of East Asia, for example – have been attributed to trade finance, again reflecting bankruptcies beyond Hong Kong's doors.

But analysts question this. Simon Maughan, head of equity research at W.I. Carr, says that if all Bank of East Asia's non-performing loans came from trade finance, half of all its trade finance would be in default.

"Clearly, that's not going to be the case, so there must be some commercial lending also that carries low collateral backing," he says.

Thin levels of collateral were likewise exposed by the reversal in earnings growth momentum. "There's a greater tendency to walk away from a clean [unsecured] loan than a secure loan, and I think that's what has happened," says Steven Thompson, chief analyst at Nikko Research Centre.

While lending against cash flow rather than assets may be normal policy in other parts of the world, Hong Kong banks have long made a virtue of their insistence on collateral when making corporate loans.

Wing Hang yesterday *reported higher provisions* and falling profits in the first half, **writes Louise Lucas.** Non-performing loans rose to HK$591m (US$76m), or 1.8 per cent of total loans, and provisions for bad and doubtful loans rose to HK$120m. Net profits fell 21 per cent to HK$365.6m. Net interest income fall, by 4.8 per cent to HK$656m.

"The first lesson for those watching Hong Kong banks is that there is not as much collateral backing as we might previously have assumed. The more developed the banking system, the less the reliance on collateral," says Mr Maughan.

Compounding the lack of security is the fall in value of collateral pledged. Shares have been hammered by the stock market rout and property prices are down 40 per cent from the peak last July.

As property prices continue to fall, mortgage defaults will start to feature. Home owners are sitting on negative equity, and more are joining the ranks of the unemployed.

Meanwhile, writ lists show that certain banks did not batten down the hatches as the crisis began to unravel. Says Mr Maughan: "The first response of bankers all over Asia is to grow your way out of problems. This is exactly what happened in the mid-1980s, both in Hong Kong and the rest of Asia: banks lent into the downturn and that exacerbated the situation. History shows it is a bad policy, but still they do it."

By contrast, interim results showed HSBC Holdings had limited asset expansion in the US and UK, where economies are booming.

In the more aggressive camp is Bank of East Asia, which increased its China lending by 20 per cent and saw profits rise 45 per cent. Mr Maughan says a mismatch of this size suggests unsustainable forces are driving the business.

If traditional banking is no longer a money spinner, loan growth means greater accumulation of bad debts, and growth in China is questionable, then where is expansion to come from? Non-interest income – the obvious answer – has mixed results: equities trading has produced a loss for Hongkong Bank Group for the past three interims, while credit cards have proved a boon for Dah Sing Financial.

What is clear is that the rules of Hong Kong banking have irrevocably changed. "If you want to grow, you have to do something other than classic banking. But most Hong Kong banks are too staid to do anything else," says Mr Maughan.

The borrowers: a picture of non-performing loans

	1997	98*	99*	2000*
International Bank of Asia				
Non-performing loans (NPLs) HK$m	34	480	574	775
NPLs as % of advances	0.2	2.1	2.9	3.5
Coverage of NPL (%)	440	58	59	59
Dah Sing Financial Holdings				
NPLs (HK$m)	80	480	734	989
Coverage of NPL	499	82	78	75
Bank of East Asia				
NPLs (HK$m)	979	3,398	5,132	6,931
NPLs as % of advances	1.2	3.8	5.3	6.5
Coverage of NPL (%)	106.8	54.7	53.8	53.6
Hang Seng Bank				
NPLs (HK$m)	1,849	4,794	6,588	7,948
NPLs as % of advances	0.8	2.3	3.0	3.3
Coverage of NPL (%)	161	91	88	89
HSBC Holdings				
NPLs (US$m)	5,467	9,586	11,399	13,081
NPLs as % of advances	2.2	3.8	4.2	4.5
Coverage of NPL (%)	94.9	73.8	75.1	75.8

Source: Merrill Lynch *Forecast

Acer appoints new chief executive

By Lawrence Eyton in Taipei

Acer, the Taiwanese computer giant, yesterday appointed Simon Lin, formerly chief executive officer of the information products division, as president. He replaces Stan Shih, the group's founder.

Mr Shih, 54, remains chairman but will concentrate on turning round the troubled Acer Semiconductor Manufacturing unit, which makes dynamic random access memory chips (D-Rams).

Mr Shih said he was keen to diversify out of D-Ram manufacturing and into logic integrated circuits and made-to-order foundry chipmaking.

However, analysts said the group would have trouble raising the amounts of cash required to upgrade their machinery to produce the complex logic chips.

ASM lost T$5bn ($145m) last year and is forecast to show a loss of at least T$4.7bn this year. Some of this is expected to be incurred as it tries to change from D-Ram to logic chips.

Acer bought the 33 per cent stake held in ASM by Texas Instruments, its partner in the joint venture, in June for T$120m.

D-Ram prices continue to face a global depression and many Taiwanese producers are selling their chips for little more than cost. Some are also switching to foundry chipmaking.

Industry sources believe that Taiwan's six D-Ram manufacturers stand to lose a total of T$26bn this year.

The appointment of Mr Lin, 46, who has wide experience in the group's overseas operations, suggests Acer may embark on a drive for increased overseas market share, analysts said. Mr Lin has indicated he hopes to increase sales in mainland China.

The group, the world's eighth largest PC manufacturer, already generates more than half its sales overseas.

NEWS DIGEST

DRINKS INDUSTRY

Asian troubles restrain Coca-Cola Amatil

Coca-Cola Amatil, the Australian-based bottler, yesterday said the devaluation of the Philippines peso and difficult trading conditions in Indonesia held interim pre-tax profits to a 7 per cent rise to A$157.1m (US$95.5m). Sales rose 11 per cent to A$2.46bn in the six months to June.

"The depreciation of the Philippines peso accounted for an A$18.6m reduction in translated net operating profit," the Australian group said. Indonesia's currency and social problems left the unit at breakeven, compared with a A$24.5m trading profit last time. David Kennedy, managing director, said the group would adapt its marketing plan to suit the current Indonesian market.

The group warned that the second-half net operating profit would be marginally below the first-half's A$102.3m. The purchase of the South Korean bottling operations, from the Coca-Cola Company and effective from today, was not expected to have a material impact on earnings this year.

The group's shares fell 21 cents to A$5.73.

AFX-Asia, Sydney

HOUSEHOLD PRODUCTS

Kao to sell CD-Rom unit

Kao, the Japanese household products group, has stepped up plans to sell its CD-Rom business in the latest move to improve profitability. The sale would complete the group's withdrawal from the information materials sector.

Last month, Kao closed one of its two CD-Rom plants in the US and stopped sales of computer-related office supplies in Japan. It has also written off operations at an unprofitable floppy disk factory in Spain.

"As part of our plan to reduce our involvement in information materials, we are considering selling our CD-Rom business," it said.

However, it would not say whether it had found a buyer nor when it hoped to sell its ailing information materials business. In the year ending March, extraordinary losses from the restructuring of its overseas foreign technology businesses totalled Y25.5bn ($176.8m).

Shares in the group rose Y50 to Y2,390 on the news.

Alexandra Harney, Tokyo

BUILDING MATERIALS

Takashima halves forecast

Takashima, the medium-sized Japanese trading company that specialises in building and industrial materials, yesterday halved its earnings forecast for this year. The announcement highlights the difficult conditions affecting smaller Japanese trading houses, which have been hit by the economic downturn in Asia.

The group said it expected net profits of Y180m ($1.25m), significantly lower than the previous forecast of Y350m, in the year ending next March. It also revised downward its sales forecast, to Y105bn. Last year, the trading house made profits of Y157m. Turnover was Y114.8bn.

The announcement was made after the close of trading. Shares in Takashima closed down Y4 at Y283.

Alexandra Harney

THE PROPERTY MARKET MALAYSIA

Shaken to its foundations

Sheila McNulty assesses efforts by the central bank to avert a crisis of rising vacancies and falling prices

Malaysia's central bank saw it coming. Three months before the financial crisis took hold, Bank Negara restricted lending to property in an attempt to limit the fallout from a rapidly growing glut.

Developers had been *feverishly trying to meet the* demand of thousands of families who wanted second and third homes. House prices had more than doubled between 1990 and 1997 and Malaysians thought *the trend would never end.*

Ravindra Dass, executive chairman of DMC Brooke Hillier Parker, property consultants, warned at the time: "Confident of this assumed safety, we see chocolate makers, furniture makers, flour millers, plantation companies and a motley crowd of non-property people happily diversifying into property."

The economy was becoming increasingly exposed to the cyclical downturn in property. But as he notes now, nobody heeded the warnings.

The central bank required banks to restrict property loans to 20 per cent of total outstanding loans. But investors abandoned the stock market in fear that the measures would cut the profitability of groups exposed to the property sector.

The benchmark index fell 11 per cent in the ensuing month and the authorities pressured Bank Negara to provide exemptions to its ruling. The banks continued to provide easy property financing so investors returned and the risk continued to build.

For most of last year, loans to property grew above 30 per cent year-on-year and accounted for 26 per cent of total loans. By the time of the east Asian financial crisis, Malaysia's domestic debt amounted to 170 per cent of gross domestic product – the highest ratio in south-east Asia. Economists predicted that when the end to the speculative run finally came it would have far-reaching effects.

They were right. The crisis was the trigger, and it has revealed just how critical property is to the economy. As Malaysia moves into recession, property developers are calling off new projects. That, in turn, minimises the ability of companies to repay loans.

When Moody's Investors Service lowered the deposit ratings of Malaysia's three largest banks on July 23, it cited their large exposure to property. On July 27 Standard & Poor's lowered *its long-term foreign* currency sovereign and senior unsecured ratings on Malaysia and said that non-performing loans were expected to reach 30 per cent of total loans within 12 months.

That means almost one-third of all loans will be unpaid, and many of them will be linked to property. Shares of property developers have already fallen 70-90 per cent in anticipation, adding to the pressure on balance sheets.

Although there is still some interest in residential property, which comprises about 65 per cent of all property transactions, prices in that sector have fallen 20 per cent. "The market has come to a standstill," says Wong Yee Hui, property analyst at Merrill Lynch.

Even the agents for the most prestigious property in Malaysia, the Petronas twin towers – the world's tallest – have been hit. Petronas, the state oil company, is occupying one building but the other has commitments of just 35-40 per cent.

"It has got a very good share of a diminishing market," is the way Rohan Cavaliero, head of the office leasing division for Jones Lang Wootton, puts it. And though it has not adjusted *its asking terms of M$8* (US$1.9) a square foot, Mr Cavaliero says there is now flexibility in structuring a deal, such as providing a signing-bonus of a month or so of free rent at the start.

Other developers are offering similar promotions but nobody wants to lower their prices. They are holding out for a turnround. Economists predict the economy will contract more than 5 per cent this year. When the pressure from that builds, analysts say *residential property* prices should slide 40-50 per cent, while prices for commercial and retail property should plunge 50-60 per cent.

The government estimates the supply of non-residential property will increase dramatically over the next three years, exacerbating the problem. In the Klang Valley, the prime property market around Kuala Lumpur, office space will increase by two-thirds and the capacity for retail space and hotel rooms will double.

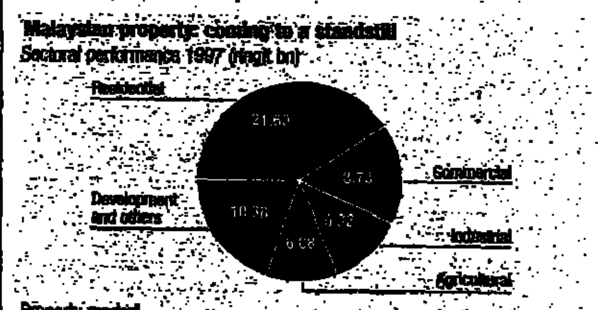
"The property sector is heading for a crisis, with rising vacancies and falling prices," the government wrote in its report on the economic crisis.

The government is encouraging developers to alter their plans to build still more high-priced residential units and instead meet demand for lower-income housing. And it has instructed banks to provide financing for such purchases. But the banks are resisting.

Daim Zainuddin, minister in charge of economic recovery, has called for planning authorities to insist on comprehensive market studies before approving projects; regular updates on valuation reports to reflect changes; and a temporary moratorium on approvals for office projects. The impact of those measures will not be felt for some time.

Meanwhile, Malaysia must find a way to use its glut. Mr Daim suggests transforming Malaysia into a shopping and financial hub. But that would take more time than the property sector – and the broader economy – can afford.

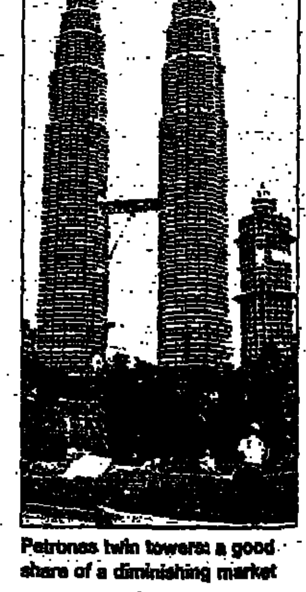
Malaysian property: coming to a standstill
Sectoral performance 1997 (Ringgit bn)



Property market

Year	Transactions	Value ringgit (bn)	% increase value
1988	170,000	8.10	-
1989	126,700	11.30	39.5
1990	165,300	16.80	48.9
1991	184,000	18.70	12.65
1992	190,000	21.40	14.44
1993	208,000	23.60	10.28
1994	217,500	29.73	25.88
1995	251,000	39.83	34.00
1996	270,000	49.00	23.00
1997	275,000	53.13	8.00

Source: DMC Brooke Hillier Parker



Petronas twin towers: a good share of a diminishing market

Zeneca held back by strength of pound

By Virginia Marsh

Zeneca, the drugs and chemicals group, yesterday unveiled stronger first-half sales growth in pharmaceuticals than its larger UK rivals. But its results were held back by a bigger hit from the strong pound and disappointment at some new products.

Led by 24 per cent growth in the US and a good performance by the core cancer drugs, like-for-like pharmaceutical sales rose by 15 per cent, above the first-half rates reported by Glaxo Wellcome and SmithKline Beecham.

However, the strong pound sliced £81m ($134m) off operating profits at Zeneca, which has a greater proportion of its cost base in the UK than Glaxo or SKB. Interim pre-tax profits, before an exceptional charge of £28m, fell 2.2 per cent to £654m on sales up 5.2 per cent at £2.89bn.

"These were strong underlying results marred by a lot of one-offs. The growth rates in pharmaceuticals are up with the best in the industry," said Steve Plag at CSFB, the company's broker. As well as sterling, the results were depressed by the impact of the Asian economic turmoil, by a £20m charge to cover the cost of making systems compliant with the year 2000 and by the £17m cost of integrating a US fungicide acquisition.

The shares, which fell initially on disappointment at the results, closed up 15p at £22.80, down from a high of £28.50 in April when there was takeover speculation.

However, some analysts reduced their full-year estimates partly because of disappointing sales results from new products. ABN Amro cut its pre-tax profit forecast by 2 per cent to £1.08bn.

"There are signs that new products may not be able to offset the decline in maturing drugs," said an analyst at another investment bank.

Among the drugs that disappointed were Seroquel, used for schizophrenia, where sales were £11m compared with about £30m in the second half of 1997.

Operating profits rose 3 per cent to £411m in pharmaceuticals but fell 7 per cent to £202m in agrochemicals and by 4 per cent to £48m in specialities. Salick Health Care, a US cancer care business, made a loss of £2m. Group margins fell from 24 to 22.6 per cent.

The agrochemicals division was the most hit by the economic crisis in Asia but this was partly offset by price increases and by growth in fungicide sales.

Earnings per share were down 7 per cent at 45.1p.

New Age leader sought for Reed's revolution

John Gapper on why the Anglo-Dutch group is shaking up its management structure

The decision by Reed Elsevier, the Anglo-Dutch publishing group, to shelve its management structure, consisting of co-chairmen from Amsterdam and London, marks a turning point in a business that faces large strategic challenges.

Although UK shareholders yesterday welcomed what Nigel Stapleton, one of these co-chairmen, called its move to "Anglo-Saxon" management traditions, whoever becomes the new chief executive has his or her work cut out. After adjusting the results for exceptional items, taking in a £692m ($1.14bn) gain on the sale of businesses including IPC Magazines, the 1 per cent fall in pre-tax profits reflects a business that is investing hard to move from paper to electronic publishing.

Mr Stapleton and Herman Bruggink, the Dutch co-chairman who will also step aside to make way for the new chief executive, emphasise that the newcomer will need strong marketing skills.

"The electronic revolution is likely to involve lower unit prices, but if you develop the right global distribution, you will be able to sell to many more people," says Mr Stapleton.

Yet shareholders have so far been wary of the risks of this transition – as well as shocks such as the discovery last year of overstated circulation figures at Reed Travel publications, which cost £480m.

Although both Elsevier and Reed International, the holding companies, initially performed well after they formed a joint operating company in 1993, they have both underperformed the FT/S&P European media index this year.

The main issue facing Reed Elsevier is that, while it has now focused on what Mr Bruggink calls a "perfect portfolio" of business, professional and scientific publications, its markets are entering a period of flux.

Mr Stapleton cites the experience of Reed Travel, which was found to have been overstating figures in response to a rapid fall in circulation of paper publications, as evidence of the need to invest in electronic distribution. Reed is likely to invest £60m this year in converting its specialist titles to electronic formats.

One example is Science-Direct, a new electronic service to distribute scientific information to universities, which now includes most of its 900 science titles.

It also faces tougher competition in traditional fields. In the US, its £1bn purchase of Matthew Bender and 50 per cent of Shepards, two legal publishers, has intensified its battle against Thomson, the Canadian publisher.

In this climate, the companies have finally decided to end the management structure devised in a memorandum in late 1992 in favour of a single chief executive with marketing clout to develop selling the brands.

Mr Bruggink and Mr Stapleton argue that they are better at selling and acquiring businesses to restructure Reed Elsevier than at taking an operational approach to ensuring that the best is made of its portfolio.

Their restructuring has been considerable. Over the past decade, Reed International has changed from a broadly based paper and packaging company into a consumer publisher and finally into its current incarnation.

"I would have to work pretty hard to convince myself that I meet the job specifications, let along convince a nominations committee," says Mr Stapleton modestly. Whoever does convince the committee will have plenty of work to do.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Amvescap	6 mths to June 30	353.9	(220.2)	88.1♠	(73.5)	5.9†	(10.4)	3大	Oct 5	2.5大	-	7大
Barclays	6 mths to June 30	-	(-)	1,289♠	(1,271♠)	58.4	(59.2)	15.5	Oct 7	13.25	-	36.75
Capital Shopping	6 mths to June 30	-	(-)	42.6	(36.3)	7.8	(6.8)	4.625	Oct 6	4.125	-	9.25
Caverdale	6 mths to June 30	40.4	(129.8)	2.7	(3.1)	6.2	(8.6)	2.25	Oct 1	1.8	-	4#
Corporate Services	6 mths to June 30	287.7	(178.1)	12	(7.71)	4.72†	(3.68)	3.1	Oct 30	2.7	-	5.9
Dmatek $Φ	6 mths to June 30★	4.14	(1.52)	0.189	(1.07L)	1	(12L)	-	-	-	-	-
Elementis	6 mths to June 30★	584.8	(985.2)	19.5♠	(38.6♠)	2.6‡	(3.9)	2大	Nov 10	3.6大大	-	3.6大大
Golden Vale $	6 mths to June 30	294.9	(278)	10.5♥	(8.52)	5.46	(3.26)	0.8	Sept 14	0.72	-	2.5
Grosmont Φ	6 mths to June 30☆	-	(-)	0.061	(0.03)	0.05	(0.02)	-	-	-	-	-
KBC Advanced Tech	6 mths to June 30	18.7	(15.9)	3.62	(3.62)	4.89†	(5.08)	1.3	Oct 1	-	-	2.6
Liberty Intl	6 mths to June 30	129	(127.8)	64.7	(61.8♥)	12.71	(13.41)	8.8	Oct 6	8	-	17.6
London & Edingh Φ	6 mths to June 30	0.515	(0.312)	0.04	(0.635L)	0.12†	(2.08L)	-	-	-	-	-
NWF Φ	Yr to May 31	86	(74.5)	2.19	(1.9)	19.9	(17.1)	5.5	Nov 2	5.3	8.3	8
Reed Elsevier ‡‡	6 mths to June 30★	1,588	(1,678)	929♥	(280)	33.3	(7.7)	4.8	Oct 5	4.4	-	14.6
Robert Walters	6 mths to June 30	71.9	(36.8)	4.14	(3.28)	11†	(8.8)	1.7	Oct 15	1.3	-	3.9
Royal Dutch/Shell$$	6 mths to June 30	70,529	(86,502)	3,193	(4,061)	7.7	(9.3)	-	-	5.1	-	13.1大大
Royal Sun Alliance	6 mths to June 30	4,721■	(4,624■)	437♥	(556♥)	14.5	(23.5)	7.8	Dec 1	7.15	-	21大大
Telewest Comms	6 mths to June 30	225.9	(181.4)	141.6L	(142.3L)	10L	(10L)	-	-	-	-	-
Tetra	Yr to May 31	30.3	(22.4)	0.558L♠	(2.1♠)	7.28†	(7.1)	0.6	Oct 3	-	.6	-
Wyevale Garden	6 mths to June 30	41.8	(35.3)	7♠	(6.58)	12.4	(11.6)	4.57	Oct 26	4.15	-	6.86
Zeneca	6 mths to June 30	2,895	(2,752)	626♠	(669)	45.1	(47.3)	14	Nov 2	13.5	-	38.5

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Finsbury Smaller	6 mths to June 30	294.1	(225.6)	0.489	(0.407)	2.2	(1.8)	1	Aug 26	1	-	3.3

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. #Excludes special. $US currency. 大Foreign income dividend. 大大Includes FID element. ★Comparatives restated. ‡On reduced capital. $Irish currency. ΦAim stock. ☆Comparatives for five months to October 31 1997. ‡‡Turnover and profits refer to Reed Elsevier; earnings and dividends refer to Reed International. $$Turnover and profits in US currency, profits stated after tax; earnings and dividends refer to Shell Transport & Trading and are stated in pence, interim to be announced on September 10. ■Net premiums written.

RSA to review capital structure

By Christopher Adams

Royal & Sun Alliance has begun a sweeping review of its capital structure in order to extract greater operational efficiency.

The insurer, which reported a sharp fall in interim profits yesterday, may divert surplus funds from the US, where it has struggled to find competitively priced acquisitions, into the development of its personal investment business. Another share buy-back is also possible.

"We've got to run the business more efficiently if we're to guarantee returns going forward," said Bob Mendelsohn, chief executive. "We may not need all the money in the insurance business, so we could give it back or say how we're going to use it."

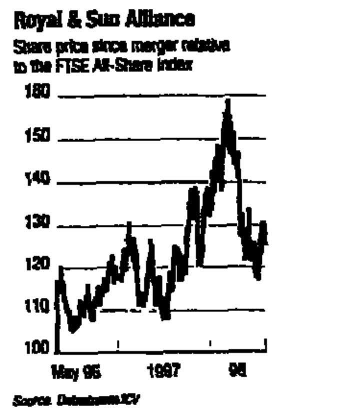
RSA plans to announce the outcome of the review with its year-end results.

Operating profits for the six months to June 30 suffered from ice storms in Canada and flooding in the UK, falling from £501m to £305m ($503m). "This is the most competitive market I've had to operate in", said Mr Mendelsohn.

Fierce competition in commercial insurance restricted growth in overall premium income, which edged up from £4.62bn to £4.72bn. The shares fell 11½p to 623½p.

COMMENT

Royal & Sun Alliance



Two years ago Royal & Sun Alliance stole a march on insurance rivals with its cost-cutting merger. But it has not always compared favourably with its emulators. CGU has a better balanced business; Zurich/BAT financial services looks forward to a strong injection of Swiss management. Royal Sun changed its top people last year, reigniting hopes that the merger's full potential would at last be realised. But far from nailing down a growth strategy, the task of Bob Mendelsohn, chief executive, has been more one of damage limitation. Meanwhile operating profits are forecast to fall back below the 1996 level, despite merger savings.

The most disappointing aspect is that there is still much to do at the nitty gritty level. The message "thou shalt not write unprofitable business" is having to be banged home. And it hurts because premiums are lost. Other fundamental reviews are still going on: of the group's capital needs – it has too much of the stuff – and of its underperforming businesses.

With investor fatigue setting in, the shares are fairly cheap at 1¼ times net asset value. They may well offer good value to the most patient.

Zeneca

If Zeneca's shares had not already come off the boil, these dull results would have had a much cooler reception. As it is, the company gained the benefit of the doubt on several counts. It is not clear it should have done. Take the £110m currency hit expected for this year. It may well provide some impetus for a profits rebound, but only because it flattens earnings now. Zeneca is not alone in wanting to have it both ways as it draws attention to "underlying" growth this year.

As with other highly rated drugs stocks, Zeneca (whose sales are only 50 per cent pharmaceuticals) is duty bound to portray an image of double digit earnings growth. It did not achieve that last year pre-exceptionals. And it will only mark time this year, leaving the shares on a multiple of about 30. Even though this rating is well below its UK peers, sales of new drugs will have to accelerate rapidly to justify it. Zeneca needs genuine 15-20 per cent earnings growth for the next few years before patent expiries bite. The comfort factor is that if it falters, bid speculation will resurface.

Reshuffle at Dorling

By Cathy Newman

Peter Kindersley, chairman and co-founder of Dorling Kindersley, the CD-Rom and book publisher, has relinquished his role as chief executive to James Middlehurst, formerly managing director of Britannia Music, the PolyGram subsidiary.

Rod Hare, managing director, will next month leave DK, where he has worked for 11 years. He is likely to receive twice his £139,000 salary in compensation.

The moves follow a difficult few years for the company, which has suffered from competition in the multimedia market. It has issued several profit warnings since its flotation six years ago.

Mr Kindersley will remain executive chairman.

SE faces further criticism over Sets system

By George Graham

Complaints from listed companies about erratic movements in their share prices on the London Stock Exchange's Sets electronic trading system have been stirred into new life by the market's volatility over the summer.

The stock exchange announced a number of changes to Sets' operating rules in May, helping to deflect criticism from both listed companies and investors grumbling about the huge swings the system was producing in individual share prices.

But discontent has grown again, and some groups are pressing for further changes.

Smiths Industries was the latest company to complain after two small trades caused a 6 per cent drop in its share price on the last day of its financial year. But a wide range of other companies are also grumbling about the system.

Boots, the pharmaceuticals group which has been one of Sets' principal critics, said it was not convinced that the exchange's decision to delay opening until 9am was the right move.

At Provident Financial, the collected credit company, chief executive Howard Bell said: "Since we went on the FTSE 100 reserve list we seem to have gone haywire. You see dramatic fluctuations in the share price and don't know what the situation is."

Barclays, the bank, has also been disturbed by the volatility in its share price, which has complicated the execution of the group's share buy-back programme.

"I think it is still to be proved that Sets has added liquidity, because most of the big trades are done outside the order book," said Oliver Stocken, finance director.

Other companies are less critical. They acknowledge that their share prices are more volatile, but note that volatility has also increased in the smaller stocks in the FTSE 350 index which are not traded on Sets.

"You just have to filter out a lot more noise," said one executive.

Many investment bankers and brokers are unsympathetic to the complaints of listed companies.

"It's pitiful to see the chief executives of FTSE 100 companies have nothing better to do with their time than watch their share price go up and down," scoffed one stockbroker.

Indeed, financial advisers say that their clients usually complain loudest about their share prices when the volatility has an adverse effect on their long-term incentive plans. Many of these bonus schemes are triggered by achieving certain levels of shareholder value, and are thus affected by share price movements.

Many investment bankers and brokers are unsympathetic to the complaints of listed companies

Many advisers have urged companies to use volume-weighted average prices for contracts of this sort, in order to iron out the effects of erratic trades. Most companies, however, still cling to the official stock exchange closing price, based on the last trade.

The exchange is proposing to move to volume weighted closing prices, but is still consulting on the best way of calculating this, and says that for technical reasons the change will not be introduced until December.

But Benn Steil, an expert on stock exchanges at the Royal Institute of International Affairs, said London would do better to run a closing auction, like the Paris stock exchange.

"Volume-weighted average prices address the symptoms of inaccurate opening and closing prices, not the causes," he said.

EQUITIES

Europe suffers more losses

EUROPEAN OVERVIEW

By Philip Coggan, Markets Editor

Another bad day for European stock markets saw the recent losses continue, as sentiment continued to be depressed by events in Asia and the week's sharp fall on Wall Street.

The continental European indices all dropped by more than 1 per cent. The FTSE Eurotop 100 index dipped by 40.72 to 2,746.99 while the broader Eurotop 300 fell 14.13 points to 1,198.69. The FTSE Ebloc 100 of stocks in "Euro zone" countries declined 15.45 to 1,010.69.

The European bourses have now suffered a significant correction since mid-July and are struggling to find the impetus to reverse the trend.

However Robin Griffiths, chief technical analyst at HSBC Securities, says that, while there may be some weakness in European stock markets between now and October, the core European markets remain in a significant uptrend relative to the rest of the world.

A survey by BT Alex Brown shows the Italian market was the best western European performer in July, while Austria was the worst. However, the Italian market is also the most volatile relative to the rest of Europe.

In terms of sectors, BT Alex Brown says fabricated metal products enjoyed the most positive earnings revisions, while textile and wearing apparel stocks suffered the biggest downgrades. The sector with the highest forecast medium-term earnings growth is automobiles.

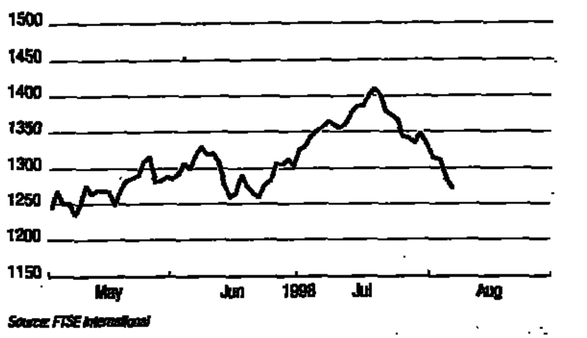
The worst performing sectors yesterday were the integrated oil and oil exploration stocks, which fell 4.4 and 3.3 per cent respectively.

A poor set of figures from Royal Dutch Shell sent shares in the Anglo-Dutch company down Ecu 3.5 to Ecu 41.49. Elf Aquitaine fell Ecu 3.3 to Ecu 107.7, and Enterprise Oil dropped Ecu 0.3 to Ecu 6.81.

The chemicals sector shed 2.5 per cent with Akzo Nobel falling Ecu 1 to Ecu 44.32 and BASF off Ecu 1.7 to Ecu 37.85. Both companies have recently disappointed the market.

The information technology sector was mixed, with Cap Gemini rebounding Ecu 8.3 to Ecu 137.69, but SAP, the subject of profit-taking since its New York listing on Monday, falling another Ecu 5.1 to Ecu 580.15.

FTSE Eurotop 300 Eurobloc
Index



Source: FTSE International

■ THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.890	95.895	+0.010	95.895	95.890	1087	16570
Dec	96.135	96.145	+0.005	96.140	96.135	76	7568
Mar	-	96.105	-	-	-	0	4721
Jun	95.990	95.995	-	95.990	95.990	25	2000

■ THREE MONTH EURO OPTIONS (LIFFE) Ecu1m points of 100%

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
96000	0.005	0.010	0.160	0.185	0.110	0.115	0.015	0.040
96125	0	0.005			0.230	0.235		

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 0 Puts 0

■ FTSE EUROTOP 100 INDEX FUTURES (LIFFE) Ecu20 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	2780.0	2758.0	-42.0	2785.0	2755.0	95	1278
Dec	-	2792.0	-42.0	-	-	0	73

■ EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) Ecu10 per index point

	2700 C	2700 P	2725 C	2725 P	2750 C	2750 P	2775 C	2775 P	2800 C	2800 P	2825 C	2825 P	2875 C	2875 P	2900 C	2900 P
Aug	87	45	72	56	58	67	47	81	37	99	29	117	22	135	17	154
Sep	135	88	122	98	108	109	92	121	84	134	73	148	63	166	54	182

Est vol total 163 . Prev day's open interest total 4,963 Premiums shown are based on settlement prices.

OTHER INDICES

	Aug 6	Aug 5	Aug 4	1998 High	1998 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	3292.77	3345.91	3427.69	3670.82	2574.51	3670.82	2976.42
DJ Euro Stx 50	3290.50	3344.15	3412.66	3658.49	2456.81	3658.49	2865.52
MSCI Europe	1208.61*	1234.67	1239.57	1315.55	960.50	1315.55	510.78

Source: Extel/part of FT Information. *Subject to revision next day. (u) unavailable.

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

August 06

National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj ytd	Total return (Ecu)
FTSE Eurotop 300	1198.69	-1.16	-14.13	2.40	19.89	1228.03
FTSE Eurotop 100	2746.99	-1.46	-40.72	2.40	27.43	979.78
FTSE Ebloc 100	1010.69	-1.51	-15.45	2.09	12.61	1023.16

FTSE Eurotop 300 Regions; FTSE Eurotop Industry Sectors: [illegible]

FTSE EUROTOP 300

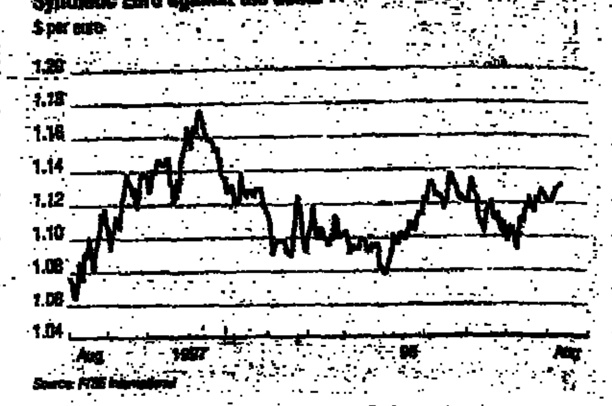
[illegible]

CURRENCIES & MONEY

FT SYNTHETIC EURO RATES

[illegible]

Synthetic Euro against the dollar
$ per euro



EUROZONE CURRENCY CONVERGENCE

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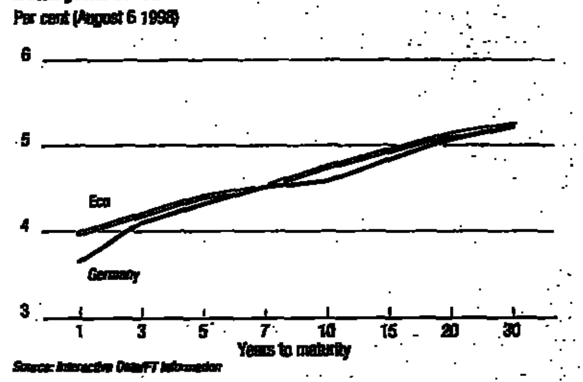
BONDS

Bond yield curve
Per cent (August 6 1998)



Source: Interactive Data/FT Information

EUROZONE CORPORATE BONDS

[illegible]

GOVERNMENT BOND SPREADS vs ECU

[illegible]

EUROZONE CREDIT SPREADS vs ECU

[illegible]

Europe boosted by economic data

GOVERNMENT BONDS

By Simon Davies in London and John Labate in New York

European markets continued to push higher yesterday, encouraged by caution in the equity markets and a spate of supportive economic data in Europe. But the US was mixed as it awaited the latest chapter of the Monica Lewinsky saga.

Andy Bevan, senior bond strategist at Goldman Sachs, said: "The overall theme from today has been very supportive for European bond markets across the board. In addition to the UK, where there was a weak CBI distributive trades survey, we have further signs of softening in Italy and weak industrial production numbers in Germany. So European interest rates are going nowhere."

UK GILTS were particularly strong, with a double helping of good news. The Confederation of British Industry distributive trades survey showed retail sales to be growing at the slowest rate since September 1995, which got gilts off to a solid start.

The monetary policy committee then provided a further kicker with the announcement, not unexpected, that interest rates were to be left unchanged.

The September contract settled 0.32 higher at 109.70, having hit 110.00 during the day, and volume picked up, with more than 69,000 contracts traded.

Johnathan Loynes, UK economist at HSBC, said: "I think this was a closer call than the market had come to contend. Since the last report, there has been an acceleration in wage growth, the announcement of spending plans, the details of the minimum wage and the softening of the currency.

"The fact that [the MPC] has not moved rates suggests that there is a good chance that rates have peaked in this cycle. But [it] may not make this clear for some time."

The short sterling market responded, with most contracts moving 10 basis points higher, and the gilts market benefited along the entire yield curve.

The 10-year spread against bunds narrowed by four basis points to 116.

Andrew Roberts, gilts strategist at Merrill Lynch, said: "There is a lot of scope for further disinversion of the yield curve".

The inflationary environment also looked more subdued in Europe, with German industrial orders falling in June for the second consecutive, and coming in only 0.9 per cent higher than a year earlier.

The news boosted BUNDS, with the September contract moving 0.03 higher to settle at 109.81, after failing to break through Wednesday's intra-day high of 109.90.

The news from Italy was also supportive, with industrial production numbers for June coming in far softer than had been predicted by economists, following on from weak consumer confidence data.

The ongoing slowdown in Italy will offset concerns of overheating in Spain and Portugal, the other so-called "Club Med" countries, as well as Ireland.

US TREASURIES were mixed at midday, ahead of the eagerly expected report on employment, due today. The benchmark 30-year bond was down $\frac{3}{32}$ to 106$\frac{5}{32}$, sending the yield higher to 5.679 per cent.

The two-year note climbed $\frac{1}{32}$ to 99$\frac{31}{32}$, yielding 5.391 per cent, while the 10-year note slid $\frac{1}{32}$ to 101$\frac{13}{32}$, yielding 5.445 per cent.

"It's dull today, and a lot of it has to do with major corporate new issuance plus angst in front of the employment report," said Dennis Hynes, chief investment strategist at R. W. Pressprich.

On the corporate debt side, WorldCom's $6.1bn deal was considered the main event.

Yesterday's main data release showed continued slowing in the manufacturing sector.

Factory orders rose just 0.1 per cent in June, while manufacturing inventories rose 0.2 per cent.

Analysts expect today's employment report to show a gain of 30,000 jobs.

However, Richard Gilhooly, international bond strategist at Paribas Capital Markets, said: "I think the general consensus in the market is that [the report] won't be that meaningful because of the General Motors strike."

WorldCom launches $6.1bn jumbo issue

INTERNATIONAL BONDS

By Vincent Boland

The jumbo $6.1bn offering from WorldCom, the US telecommunications group, kept other new issues light yesterday, with many European desks on holiday. Bankers said the size of the deal meant it would achieve benchmark status and become a bellwether of the corporate bond market.

It is almost certain that the issue will be included in corporate bond market indices, which "makes it one that institutions with index tracking funds will have to own," one syndicate banker said. "It seems to have gone pretty well but it is difficult to say if there was much international buying," another banker said.

Elsewhere, activity was mainly in completing deals already in the market. There were some small reopenings of existing issues, reflecting equity market volatility and its impact on spreads in the secondary market.

FEDERAL HOME LOAN BANKS wrapped up its $1.5bn 3-year issue priced at 24 basis points over the May 2001 Treasury. A syndicate banker at Barclays Capital, joint lead manager with ABN Amro, said the pricing reflected the widening of spreads on issues from the US mortgage agencies, although they have performed much better than other high-grade issues.

"A lot of investors have a defensive attitude to the market, and agency spreads have widened against Treasuries. People are quite comfortably buying into it at this level given the substantial pick-up to treasuries," he said. An existing 3-year bond from the same issuer was trading at 23 to 22.5 basis points over Treasuries.

BELL ATLANTIC priced its exchangeable – into shares of the UK's Cable and Wireless Communications – to give it a coupon of 4.25 per cent and a conversion premium of 28 per cent, as expected. The final size of the deal, launched at up to $3.5bn, was set at $3.18bn, still the biggest of its type.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
WorldCom Inc(a)	1.5bn	6⅛(g)#	99.896R	Aug 2001	0.40R	+70(6%Jul01)	Salomon Smith Barney
WorldCom Inc(a)	600	6¼(f)#	99.978R	Aug 2003	0.50R	+83(5¾Jun03)	Salomon Smith Barney
WorldCom Inc(a)	2.25bn	6.40(f)#	99.798R	Aug 2005	0.625R	+94(6½Aug05)	Salomon Smith Barney
WorldCom Inc(a)	1.75bn	6.95(f)#	99.065R	Aug 2028	0.875R	+135(Nov27)	Salomon Smith Barney
GECC(b)	150	6.00(s)	99.817R	Aug 2013	0.55R	+49(5⅝May08)	ABN Amro/Merrill Lynch
BMW Australia Finance(c)	150	5.00	97.234R	Feb 2002	0.25R	+43(5⅝May01)	Deutsche/JP Morgan
ITALIAN LIRE							
Inter-American Dev Bank(d)	150bn	(d1)	99.90R	Sep 2016	0.40R	-	Morgan Stanley DW
SWISS FRANCS							
Merrill Lynch & Co‡	150	(f1)	100.05	Nov 1999	0.075	-	Merrill Lynch Cap Mkts
Merrill Lynch & Co‡	200	(f2)	100.00	Aug 2001	0.125	-	Merrill Lynch Cap Mkts
EUROS(e)							
Kingdom of Denmark	98	3.70	100.00	Sep 2001	1.00	-	Nikko Europe

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Makewhole call. b) Fungible with $150m. Plus 14 days accrued. c) Fungible wuth $150m. Plus 196 days accrued. d) Callable from 2/9/03 at par. d1) 12% in yr 1, 6% in yrs 2-5, then 15% - 2 x 12-mth Libor. e) Payments in Ecu prior to Emu. f1) 3-mth Libor flat. f2) 3-mth Libor +7.5bp. f) Long 1st coupon. s) Short 1st coupon.

Ukraine in $155m private placing

By Jeremy Grant

Ukraine, which last week clinched a $2.5m International Monetary Fund rescue package, sneaked into the international capital markets yesterday with a $155m private placement aimed at tackling its mounting debts.

The bond, with a maturity of only 10 months, was considerably smaller than Kiev had hoped. It comes as emerging market sentiment has been battered in recent weeks, principally by Russia's recent financial crisis.

In addition, Moody's Investors Service last week warned that it might downgrade Ukraine's B2 rating.

An issue of some kind had been expected for weeks but was dependent on the IMF agreeing to extend Ukraine further credit. It was arranged by ING Barings.

The bond pays a semi-annual coupon linked to the hryvnia, and is structured to ensure a minimum dollar return of 17.5 per cent. That represents a yield spread over the benchmark US Treasury bond of 1,750 basis points. By comparison, the outstanding five-year Russian eurobond was yesterday yielding 1,358 basis points over the US benchmark.

There was no indication whether Ukraine would again visit the capital markets, given its acute need for financing.

The government faces a heavy schedule of repayments in the local T-bill markets and, starting next week, must repay a $450m eurobond arranged by Nomura International. Bankers say total non-resident obligations from now until the year-end amount to $2.1bn.

Russia cancels auctions of agrobonds

By Jeremy Grant in London and Charles Clover in Moscow

Russia peeled away another layer of its chronic debt problems yesterday by cancelling forthcoming auctions of certain types of bonds issued by the country's vast regions after a string of defaults by issuers.

The bonds, known as agrobonds, are restructured trade credits extended by Moscow to the regions and are seen as among the more risky segments of Russia's debt market.

The cancellation of the auctions, announced by the finance ministry, comes after only eight out of 40 regions recently managed to honour their agrobond obligations in full.

Foreign bankers said this was significant as some estimate that up to 60 per cent of such bonds are held by foreign investors.

The effect on Russia's overall debt markets was unlikely to be serious as the amount of outstanding agrobonds is around Rbs4.5bn ($710m).

However the bankers said the defaults would be another blow to investor confidence, already at a low ebb due to the government's recent debt crisis.

"Investor confidence will be affected if you have ongoing defaults in such a risky and undeveloped market as agrobonds. For the mainstream investor in Russia, this is not perceived as threatening sovereign [obligations] but it is another piece of the overall confidence crunch that is not helpful," said Nicholas Sundstrom, chief Russian economist at Citibank.

MFK Renaissance and Credit Suisse First Boston, both investment banks, said on Wednesday they had been assured by the presidential administration that the debts would be honoured.

However analysts said it was unlikely that the government was guaranteeing such payment. It was more likely that it would try to use leverage to ensure the regions paid as part of efforts to encourage them to adopt tighter fiscal practices.

Mr Sundstrom said that, in turn, might benefit the central government's efforts to tackle its own mountain of debt.

Russia has pledged, under its recent deal with the IMF, to boost tax collection as one of the main ways of improving imbalances in its fiscal situation.

"The regions will have to start doing the same thing as the centre is doing: starting to collect cash. This regional aspect is going to be a constant feature of Russia, going forward," said Mr Sundstrom.

Bella Zlatkis, a senior ministry of finance official, said: "Many regions so far don't understand that they must pay debt first and foremost. They pay other expenses first. Of course, some of the regions are in serious financial problems but the majority that are not paying are absolutely capable of paying."

Bankers said Moscow still faced an uphill struggle to encourage change at the regional level due to a web of bilateral treaties between the central and regional authorities that was established in the immediate post-Soviet era.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Aug 6	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	8.750	108.3208	5.05	-	-0.16	-0.10	-0.09
	08/08	6.750	124.8514	5.46	+0.02	-0.09	+0.05	-1.07
Austria	07/00	6.875	103.3300	4.05	-	-0.03	+0.18	-0.07
	01/08	5.000	101.8000	4.75	-0.01	-0.05	-0.05	-0.99
Belgium	01/00	4.000	100.0500	3.96	-	-0.04	-0.03	+0.08
	03/08	6.750	107.1200	4.80	-0.01	-0.05	-0.04	-0.95
Canada	03/00	5.000	99.5800	5.29	+0.03	+0.03	+0.11	+0.88
	06/08	6.000	104.1000	5.45	+0.02	-0.02	+0.21	-0.49
Denmark	11/00	9.000	109.7700	4.35	-0.02	-0.04	+0.13	-0.12
	11/07	7.000	115.5000	4.88	-0.01	-0.04	-0.01	-1.34
Finland	01/99	11.000	103.0270	3.59	-0.01	-0.04	-0.08	-0.26
	04/08	6.000	109.3520	4.77	-	-0.06	-0.03	-1.12
France	01/00	4.000	100.1601	3.87	-0.01	-0.05	-0.04	-0.20
	04/05	7.500	117.3600	4.44	-	-0.06	-0.04	-0.77
	04/08	5.250	104.2300	4.69	-0.01	-0.08	-0.08	-0.92
	04/29	5.500	103.8400	5.26	-	-0.05	-0.05	-1.11
Germany	03/00	4.000	100.1800	3.87	-0.01	-0.03	+0.08	+0.03
	10/05	6.500	111.8500	4.53	-0.01	-0.06	-0.01	-0.74
	01/08	5.250	104.7800	4.61	-0.01	-0.05	-0.10	-1.05
	01/28	5.625	106.0500	5.22	+0.01	-0.06	-0.07	-1.16
Ireland	10/01	6.500	105.7400	4.53	-0.03	-0.08	-0.67	-1.41
	08/06	8.000	108.8000	4.87	-0.01	-0.08	-0.69	-1.47
Italy	04/01	4.500	100.4100	4.33	-	-0.04	-	-1.83
	05/03	4.750	100.9700	4.52	-0.01	-0.06	-	-1.88
	05/08	5.000	101.3000	4.83	-	-0.08	-0.10	-1.84
	11/27	6.500	116.4100	5.37	-0.01	-0.07	-0.09	-1.98
Japan	03/00	6.400	109.4400	0.48	-0.02	-0.01	+0.01	-0.20
	06/03	4.500	116.7000	0.97	-0.01	-0.01	+0.02	-0.65
	09/05	3.000	111.6900	1.27	-0.02	-0.02	-0.10	-0.85
	03/18	2.700	109.0100	2.14	-	-0.03	-0.08	-0.73
Netherlands	05/00	9.000	108.3900	3.96	-	-0.03	+0.02	-0.01
	07/08	5.250	104.2800	4.70	-	-0.06	-0.02	-0.91
New Zealand	02/01	8.000	103.3794	6.47	+0.04	-0.19	-0.78	-0.65
	11/06	8.000	111.7624	6.13	+0.03	-0.11	-0.23	-0.69
Norway	01/99	9.000	101.5000	5.49	+0.05	+0.13	+0.13	+0.87
	01/07	6.750	109.1000	5.37	+0.02	+0.04	-0.06	-0.72
Portugal	03/00	5.375	101.8200	4.18	+0.02	-0.03	-0.16	-1.17
	06/08	5.375	103.5000	4.92	-	-0.03	-0.03	-1.43
Spain	04/00	8.750	104.2300	4.09	-0.02	-0.07	-0.07	-1.11
	01/08	6.000	108.5400	4.85	-0.01	-0.06	-0.03	-1.47
Sweden	05/00	10.250	109.8430	4.33	+0.04	+0.03	+0.26	-0.56
	05/08	6.500	112.2860	4.88	+0.01	-0.02	+0.01	-1.66
Switzerland	03/00	5.000	104.5000	2.07	-0.01	+0.07	-0.04	+0.51
	06/07	4.500	112.8000	2.83	+0.01	-0.05	-0.27	-0.67
UK	11/01	7.000	101.7422	6.39	-0.08	-0.16	-0.86	-0.95
	12/03	6.500	102.3750	5.97	-0.06	-0.17	-0.08	-1.09
	12/07	7.250	111.3125	5.67	-0.04	-0.14	-0.16	-1.37
	12/28	6.000	109.4688	5.36	-0.03	-0.09	-0.24	-1.61
US	05/00	5.500	100.1468	5.41	+0.01	-0.10	-0.08	-0.49
	05/03	5.500	100.1311	5.46	+0.01	-0.08	-0.04	-0.71
	05/08	5.625	101.3768	5.44	+0.01	-0.06	-0.08	-0.77
	11/27	6.125	106.3167	5.68	+0.03	-0.05	+0.03	-0.80
ECU	07/00	4.000	99.8100	4.10	-0.01	-0.05	+0.04	-0.40
	04/08	5.250	103.9800	4.73	-	-0.05	-0.04	-1.25

London closing. *New York mid day. Source: Interactive Data/FT Information
Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Aug 6	Bid Yield	Spread vs Bunds	Spread vs T-Bonds		Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	5.44	+0.85	-	New Zealand	6.14	+1.55	+0.70
Austria	4.78	+0.19	-0.66	Norway	5.37	+0.78	-0.07
Belgium	4.82	+0.23	-0.62	Portugal	4.92	+0.33	-0.52
Canada	5.45	+0.86	+0.01	Spain	4.88	+0.29	-0.56
Denmark	4.88	+0.29	-0.56	Sweden	4.89	+0.30	-0.55
Finland	4.78	+0.19	-0.66	Switzerland	2.83	-1.76	-2.61
France	4.71	+0.12	-0.73	UK	5.61	+1.02	+0.17
Germany	4.59	-	-0.85	US	5.44	+0.85	-
Ireland	4.86	+0.27	-0.58	ECU	4.75	+0.16	-0.69
Italy	4.89	+0.30	-0.55				
Japan	1.53	-3.06	-3.91				
Netherlands	4.69	+0.10	-0.75				

Source: Interactive Data/FT Information. London closing. * New York closing. Annualised yield basis.

EMERGING MARKET BONDS

Aug 6	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
EUROPE								
Croatia	02/02	7.000	BBB–	97.8869	7.69	+0.14	-0.35	+2.28
Poland	07/04	7.125	BBB–	134.0.73	6.29	+0.02	-0.33	+0.86
Russia	06/07	10.000	B+	64.3000	18.27	+0.51	+1.80	+12.83
LATIN AMERICA								
Argentina	09/27	9.750	BB	93,1300	10.31	+0.14	+0.11	+4.84
Brazil	05/27	10.125	BB–	85.7500	11.86	+0.23	+0.07	+6.21
Mexico	05/26	11.500	BB	113.8800	10.00	+0.09	+0.01	+4.34
ASIA								
China	07/06	7.750	BBB+	102.9648	7.24	+0.14	+0.17	+1.80
Philippines	10/16	8.750	BB+	93.3845	9.52	+0.14	+0.20	+3.98
Thailand	04/07	7.750	BBB-	88.9795	9.67	+0.13	+0.07	+4.23
AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB–	102.0854	7.93	+0.14	-0.26	+2.54
South Africa	10/06	8.375	BB+	96.9279	8.91	+0.13	+0.77	+3.47
Turkey	09/07	10.000	B	99.0868	10.15	+0.13	+0.05	+4.71
BRADY BONDS								
Argentina	03/23	5.750	BB	74.5000	8.46	+0.07	+0.06	+2.84
Brazil	04/14	5.000	BB–	73.1250	11.08	+0.21	+0.14	+5.57
Mexico	12/19	6.250	BB	82.0000	8.02	+0.05	+0.17	+2.45
Venezuela	03/20	6.750	B+	74.2500	9.59	+0.13	+0.54	+4.01

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information.

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	105.80	105.75	+0.01	105.81	105.68	77,505	132,281
Dec	105.29	105.28	+0.01	105.29	105.20	6,463	615

LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Sep	Calls Oct	Calls Dec	Puts Sep	Puts Oct	Puts Dec
102	3.48	-	3.04	-	-	0.04
103	2.48	-	2.14	0.01	-	0.14
104	1.51	-	1.37	0.04	-	0.35
105	0.63	-	0.77	0.15	-	0.74

Est. vol. total, Calls 2,142 Puts 2,870. Previous day's open int., Calls 40,559 Puts 38,200

Germany

NOTIONAL GERMAN BOND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	109.83	109.81	+0.03	109.86	109.76	4829	71996
Dec	109.08	109.06	+0.02	109.08	109.08	850	448

BOND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
10950	0.46	0.29	0.43	0.55	0.15	0.73	0.87	0.99
11000	0.18	0.15	0.26	0.37	0.37	1.09	1.20	1.31
11050	0.05	0.07	0.15	0.24	0.74	1.51	1.59	1.68

Est. vol. total, Calls 13699 Puts 5465. Previous day's open int., Calls 118246 Puts 102205

NOTIONAL GERMAN BOND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	106.22	106.23	+0.04	106.26	106.18	84,137	278,396
Dec	105.69	105.73	+0.05	105.73	105.69	2,100	17,169

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	121.57	121.57	+0.03	121.60	121.50	7991	101536
Dec	107.83	107.88	+0.03	107.83	107.83	1100	8440

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

UK

NOTIONAL UK GILT FUTURES (LIFFE)

LONG GILT FUTURES OPTIONS (LIFFE)

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

* LIFFE futures also traded on APT.

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	-	104.76	+0.02	-	-	0	18

US CORPORATE BONDS

US INTEREST RATES

INTERNATIONAL BONDS

Aug 6	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v. Govts
EURO DM								
EIB	02/07	5.750	AAA	107.0200	4.73	-0.01	-0.08	+0.12
Spain	01/07	5.750	AA	106.8900	4.73	-0.01	-0.09	+0.12

UK BONDS

FTSE Actuaries Govt. Securities

UK Indices

FT Fixed Interest Indices

UK GILTS PRICES

Other Fixed Interest

Canadian dollar strikes another low

MARKETS REPORT

By Simon Kuper

The Canadian dollar plunged to yet another record low yesterday, forcing the Bank of Canada into the market several times to intervene. However, traders said the bank would have to raise interest rates if it wanted to help its currency for long.

The Canadian dollar has been falling for almost exactly a year, because Canadian interest rates are below US levels, inflation is low and commodity prices have been dropping steadily. The slide accelerated yesterday after the currency fell through the key level of $1.52 to the US dollar.

In late US trading yesterday the "loonie", as the Canadian dollar is sometimes known, stood at C$1.528, 1.4 cents below Wednesday's London close. The currency's next technical target is C$1.530. US and Canadian jobs data for July out today should move the market. The Canadian economy is growing slower than that of its neighbour.

Hong Kong interest rates jumped and the stock market fell as investors continued to speculate that China would devalue the Hong Kong dollar and the yuan. Three-month interbank rates rose almost 1 percentage point to 11.14 per cent, and the stock market fell another 2.84 per cent to its lowest level since January 1995. The Hong Kong Monetary Authority bought its currency in the market, but said it was doing so merely to cover the government's traditional shortage of HK dollars between June and November. In other words, it claimed it was not intervening to support its currency. Dealers were skeptical.

China is also thought to have intervened to support the yuan. Most other Asian currencies were weak yesterday, including the recently robust South Korean won.

■ The pound fell and short sterling interest rate futures surged after the Bank of England's monetary policy committee left UK base rates unchanged at 7.50 per cent. The currency also suffered from a survey by the Confederation of British Industry, which showed retail sales growth slowing to its lowest rate in three years. The CBI called for a rate cut next month.

Sterling hit two-month lows against the D-Mark and closed 1.3 pfg down at DM2.887. ABN-Amro said the currency's next technical target was DM2.860.

Traders had expected rates to stay unchanged. However, when that indeed happened the money market concluded that rates had now peaked. The March 1999 short sterling contract rose 10 basis points, and the first cut in base rates is now priced in for the start of 1999.

Philip Shaw, chief economist at Investec in London, said his bank was "reasonably convinced" that rates had peaked. He noted that the Bank had decided against a rise yesterday even though Gordon Brown, the chancellor, last month sharply raised government spending and although the UK minimum wage was recently set at £3.60. "Hence we suspect that if rates were to have risen, this was the time to expect it," he said.

However, he forecast a gloomy Inflation Report from the Bank of England next week, which would prompt the monetary policy committee to retain its bias towards tightening for a while.

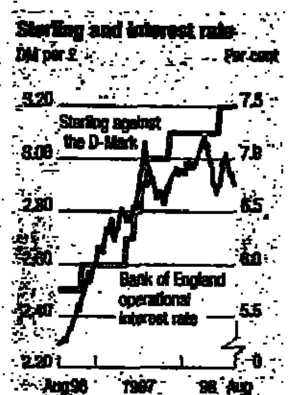
■ The US dollar softened against the D-Mark, hurt by sterling's fall, continued jitters over the US stock market and a rise in the German currency against the yen. Swiss investors were rumoured to have sold dollars in early European trade.

Against the yen, the dollar firmed marginally ahead of today's speech by Keizo Obuchi, the new Japanese prime minister, who is expected to outline plans for tax cuts and bank reforms. Much of his speech has been leaked, so in the event it may not move the market much. A minority of currency strategists expect the Bank of Japan to intervene for the yen after the speech.

The dollar fell 0.4 pfg against the D-Mark to DM1.768.

■ Anyone who has been selling Canadian dollars to buy Polish zlotys recently will have grown rich. The zloty rose to 9.12/9.08 per cent above its parity against a basket of currencies.

Sterling and interest rate



Source: Datastream/ICV

■ POUND IN NEW YORK

Aug 6	—Latest—	—Prev. close—
£ spot	1.6335	1.6365
1 mth	1.6307	1.6336
3 mth	1.6255	1.6282
1 yr	1.6057	1.6074

■ OTHER CURRENCIES

Aug 6	£	$
Czech Rp	50.0673 - 50.1492	30.6710 - 30.7080
Hungary	351.952 - 352.292	215.610 - 215.720
Iran	4892.30 - 4897.20	3000.00 - 3000.00
Kuwait	0.5008 - 0.5012	0.3068 - 0.3069
Peru	4.8158 - 4.8209	2.9500 - 2.9520
Poland	5.5795 - 5.5868	3.4180 - 3.4210
Russia	10.2596 - 10.2873	6.2860 - 6.2870
U.A.E.	5.9955 - 5.9985	3.6728 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Aug 6		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. index
Europe													
Austria	(Sch)	20.3127	-0.0891	051 - 203	20.4196	20.2722	20.2406	4.3	20.1087	4.0	19.5989	3.5	103.7
Belgium	(BFr)	59.5301	-0.2658	847 - 755	59.8100	59.4210	59.3224	4.2	58.8265	4.1	57.4247	3.5	103.2
Denmark	(DKr)	10.9995	-0.0516	955 - 035	11.0687	10.9796	10.9678	3.6	10.9044	3.5	10.6596	3.1	106.0
Finland	(FM)	8.7763	-0.0386	717 - 849	8.8240	8.7600	8.7461	4.1	8.6907	4.0	8.4665	3.6	81.9
France	(FFr)	9.6765	-0.0452	736 - 794	9.7315	9.6615	9.6427	4.2	9.5778	4.1	9.3343	3.5	108.7
[illegible]													

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 6		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	12.4408	-0.0263	388 - 428	12.4870	12.4060	12.4175	2.2	12.3763	2.1	12.2108	1.8	103.7
Belgium	(BFr)	36.4600	-0.08	400 - 800	36.5700	36.3700	36.394	2.2	36.2675	2.1	35.7775	1.9	103.2
Denmark	(DKr)	6.7368	-0.0163	358 - 378	6.7637	6.7203	6.7287	1.4	6.7113	1.5	6.6413	1.4	105.5
Finland	(FM)	5.3764	-0.0114	735 - 792	5.3960	5.3617	5.367	2.1	5.3483	2.1	5.2749	1.9	81.4
France	(FFr)	5.9265	-0.0143	250 - 270	5.9520	5.9135	5.9158	2.2	5.8949	2.1	5.8156	1.9	108.4
[illegible]													
[illegible]		+0.0653	355 - 450	6.2455	6.1358	6.3268	-16.8	6.4783	-15.3	7.0353	-12.7	-
[illegible]		+70	000 - 600	1336.00	1267.00	-	-	-	-	-	-	-
[illegible]		+0.0715	000 - 090	34.5890	34.4450	34.7695	-9.2	35.1545	-7.5	36.2295	-5.0	-
[illegible]		+0.875	000 - 500	41.8500	40.1500	42.375	-17.2	43.425	-15.8	47.15	-12.9	-

[illegible] in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices [illegible] spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE[illegible]. [illegible] available on the Internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

Aug 6	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.75	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.60	-	3.30
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.75
Italy	[illegible]	5	[illegible]	[illegible]	[illegible]	6.50	5.00	4.87
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	2.75	3.30
Switzerland	[illegible]	[illegible]	[illegible]	2	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR BBA London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.36	5.40	5.46	5.54	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	4.00	-	-	-

London interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am. Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds)

EURO CURRENCY INTEREST RATES

Aug 6	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]						

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

[illegible]

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
95375	0.100			0.055		
95500	0.045	0.010	0.020	0.125	0.010	0.020
95625	0.020			0.225		

Est. vol. total, Calls 1750 Puts 3744. Previous day's open int., Calls 113024 Puts 121661

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

[illegible]

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.5671	0.5676	+0.0009	0.5687	0.5645	17,447	108,721
Dec	0.5695	0.5704	+0.0008	0.5712	0.5695	85	787
Mar	-	0.5721	-	-	-	82	70

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6750	0.6754	+0.0004	0.6769	0.6717	9,454	68,274
Dec	0.6800	0.6813	+0.0002	0.6825	0.6798	61	521
Mar	-	0.6870	-	0.6878	-	5	16

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

[illegible]

■ STERLING FUTURES (IMM) £62,500 per £

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

Aug 6	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	[illegible]	-	-

UK clearing bank base lending rate 7½ per cent from Jun 4, 1998

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	4	6.5	6.5	6.25	6.25

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc. Avg. tender rate of discount on Jul 31, 7.2971pc. ECGD fixed rate Stg. Export Finance. Make up day Jul 31, 1998. Agreed rate for period Aug 26, 1998 to Sep 22, 1998, Scheme III 9.00pc. Reference rate for period Jul 1, 1998 to Jul 31, 1998, Schemes IV & V 7.311pc. Finance House Base Rate 8pc from Aug 1, 1998.

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	92.230	92.300	+0.065	92.320	92.220	85361	176445
Dec	92.340	92.450	+0.090	92.470	92.340	83156	180019
Mar	92.550	92.670	+0.100	92.680	92.540	57600	132314
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
92375	0.025			0.100		
92500	0.005	0.110	0.310	0.205	0.160	0.140
92625	0			0.325		

Est. vol. total, Calls 35690 Puts 45526. Previous day's open int., Calls 563612 Puts 408805

EMS EUROPEAN CURRENCY UNIT RATES

Aug 6: Greece, Ireland, Italy, Spain, Portugal, Denmark, France, Belgium, Austria, Finland, Germany, Netherlands — [illegible]

NON ERM MEMBERS: UK — [illegible]

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

[illegible]

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Aug	CALLS Sep	PUTS
0.560	0.63	[illegible]	[illegible]
0.565	0.30	[illegible]	[illegible]
0.570	0.13	[illegible]	[illegible]

Previous day's vol., Calls - Puts - . Prev. [illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.33	94.33	-	94.34	94.33	[illegible]	456,346
Dec	94.32	94.32	-	94.33	94.31	[illegible]	395,894
Mar	94.39	94.38	-0.01	94.39	94.38	[illegible]	347,278

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	95.05	95.04	+0.01	95.05	95.03	15	4,658
Dec	95.11	95.11	+0.05	95.11	95.11	3	236
Mar	-	95.07	-	-	-	-	12

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Aug	CALLS Sep	[illegible]
96375	0.055	0.080	[illegible]
96500	0.005	0.005	[illegible]
96625	0	0	[illegible]
96750	0	0	[illegible]

Est. vol. total, Calls 28706 Puts 1958. [illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	[illegible]
98250	0.020	[illegible]
98375	0.010	[illegible]

Est. vol. total, Calls 700 Puts 0. Previous [illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	7.50	Exeter Trust Limited	8.50	@Smith & Williamson	7.50
Allied Irish Bank (GB)	7.50	Financial & Gen Bank	8.00	Sun Bank	7.50
@Henry Ansbacher	7.50	@Robert Fleming & Co	7.50	TSB	7.50
Banco Bilbao Vizcaya	7.50	Habib Bank AG Zurich	7.50	United Bank of Kuwait	7.50
Bank of Cyprus	7.50	@Hambros Bank	7.50	Unity Trust Bank Plc	7.50
Bank of Ireland	7.50	Heritable & Gen Inv Bk	7.50	Whiteaway Laidlaw	7.50
Bank of India	7.50	C. Hoare & Co	7.50	Yorkshire Bank	7.50
Bank of Scotland	7.50	Hongkong & Shanghai	7.50		
Barclays Bank	7.50	Investec Bank (UK) Ltd	7.50	@ Members of London Investment Banking Association	
Brit Bk of Mid East	7.50	Julian Hodge Bank	7.50		
@Brown Shipley & Co Ltd	7.50	@Leopold Joseph & Sons	7.50		
Citibank NA	7.50	Lloyds Bank	7.50		
Clydesdale Bank	7.50	Midland Bank	7.50		
The Co-operative Bank	7.50	NatWestminster	7.50		
Coutts & Co	7.50	@Rea Brothers	7.50		
Cyprus Popular Bank	7.50	Royal Bk of Scotland	7.50		
Duncan Lawrie	7.50	Scottish Widows Bank	7.50		
		@Singer & Friedlander	7.50		

APPOINTMENTS

Baltic Freight Index falls through 800

MARKETS REPORT

By Gary Mead and Robert Corzine

The misery among dry cargo shipowners deepened yesterday as the Baltic Freight Index shed another 10 points to 798 points – the first time it has broken through the 800 mark since January 13 1987. No fresh news sparked the latest fall, which was part of a long, slow slide resulting from the pressure of economic weakness in Asia plus the sheer amount of fresh tonnage headed for the market.

Uganda's coffee exports fell 40.22 per cent to slightly more than 2m 60-kg bags in the first nine months of the 1997-98 season (October-September), against the same period last season.

The Uganda Coffee Development Authority has revised upwards its export estimates for 1997-98, to 2.9m bags, a figure still 30 per cent under last year's total exports of 4.2m bags. The decline is attributed to bad weather caused by the El Niño phenomenon. On the London International Financial Futures Exchange, the September coffee contract closed at $1,669 a tonne, $6 higher.

Sri Lanka's tea exports in the first six months of 1998 were 133.3m kg, up 11.89 per cent on the year-earlier period.

In the bullion market, Canada said that it sold 168,000 troy ounces of gold in July for $55.4m, its first sale since October 1996. The sale is in line with government policy to sell gold reserves. It now holds in its reserves 2.9m ounces.

The afternoon "fix" for gold in London was $287.80 a troy ounce, against the morning's $286.85.

In its daily report, the broker GNI said: "Overall, it is much harder to cite reasons for the gold price to collapse from here ... than it is to find reasons for the gold market to rally."

Oil prices continued to react to the unfolding confrontation between Iraq and the United Nations over the future on the UN Special Commission charged with dismantling the country's programmes to build weapons of mass destruction.

Calls by the US for a strong response to Iraq's decision to end co-operation with Unscom helped boost the bellwether Brent Blend for September delivery, but concerns over the continuing global crude glut restrained the price rise.

In late trading on London's International Petroleum Exchange, September Brent was quoted at $12.69, 12 cents up on Wednesday's close.

Meanwhile Reuters reported that its survey of oil production by members of the Organisation of Petroleum Exporting Countries in July showed a 390,000 barrel decline over June. But it also reported a fall in Opec compliance with the overall 2.6m barrel a day cut ordered by the exporters' group. It claimed compliance was only 63 per cent in July, against a high of 73 per cent.

● Tanzania said yesterday the privatisation of the state-run Tanzania Tea Authority – which should have been achieved by November 1997 – will be completed by the end of this year.

The government hopes the TTA's share of Tanzanian tea production – forecast to rise 8 per cent to 27,000 tonnes in 1998-99 – will increase from its current 25 per cent to at least 40 per cent.

A hard case for India to crack

The country's leadership in export of processed cashew is under threat as former suppliers turn competitors, writes **Kunal Bose**

If India's federal government gets its way the country's export of processed cashew nuts will rise by 3,677 tonnes to 80,000 tonnes in 1998-99, while cashew nut shell liquid – a by-product for making phenol – will rise by 1,894 tonnes to 6,075 tonnes, generating an income of $433.7m against $374m last year.

This is a modest target. But a significant setback in the world cashew crop has clouded the export prospects this year and world production is expected to fall by 260,000 tonnes to 745,000 tonnes in 1998.

K. G. Nayar, chief executive of the Cashew Export Promotion Council, says: "I don't think we will miss out on the export revenue target as cashew is fetching good prices due to the world shortage. But our shipments are likely to fall short of 80,000 tonnes."

India, which is the world's largest producer and exporter of cashew kernel, has revised down by 25,000 tonnes the 1998 crop estimate to 275,000 tonnes. It harvested 430,000 tonnes in 1997. "A prolonged drought followed by untimely showers at the time of flowering and the near absence of a cold spell hit the crop in the country's major cashew growing centres," he says.

There is no way India can compensate for the big loss in the crop by stepping up imports. Last year, India imported 224,484 tonnes of raw nuts for processing and re-export. "Until a few years ago, India was the only country importing large quantities of raw nuts to supplement the domestic supply," says Mr Nayar.

The country imports mostly from Tanzania, Guinea Bissau, Ivory Coast, Mozambique and Indonesia. While it is difficult to arrange for additional supplies from these countries, Vietnam, which until 1995-96 was India's main supplier, is now itself buying raw nuts for processing.

India has capacity to process more than 800,000 tonnes of raw nuts. "In a normal year, the factories here work for about 225 days. This year, they will be open for even fewer days," says an industry official.

The country did not see the writing on the wall. Cashew producing countries are graduating from being exporters of raw nuts to selling cashew kernel, making it increasingly difficult for the Indian factories to buy enough raw material.

"The world development agencies are supporting the cultivation and processing of cashew in many African and south-east Asian countries to create jobs for the poor. In about five years, Vietnam, which in a normal season produces 150,000 tonnes of raw cashew, has built a processing capacity of over 160,000 tonnes. The Vietnamese government now discourages the export of raw nuts. This is hurting India," says Mr Nayar. Vietnam, which has turned into a net importer of raw nuts, and Indonesia are now providing stiff competition to India in the Asian cashew kernel market.

Trade officials say, as it will become increasingly difficult to import raw nuts on a large scale when the crop fails, that India will have to lift domestic production to maintain leadership in export trade.

"The Indian production of cashew nuts can be doubled in five years. What is needed to be done is to make available the high-yielding planting materials to growers on a very large scale. The Indian productivity is a poor 616kg of nuts a hectare. This can be easily lifted to more than 1,000kg a hectare through replanting of old trees and proper agricultural practices," says Mr Nayar.

The National Research Centre for Cashew has developed 27 high-yielding and early fruit bearing varieties for the country's different geographical regions.

But what is holding back the growth of cashew cultivation is the state-level land filling laws, which prevent acquisition of large tracts of land. Kerala and Maharashtra have, however, promised to waive the laws for cashew cultivation.

"The government must recognise cashew as a plantation crop like tea, coffee and rubber, and set up a board for the promotion of the crop. It has provided Rs800m ($18.8m) for cashew development in the next five years. But this is too small for an important crop like cashew," says an industry official.

Raw deal: India's cashew nut and apple crop has been supplemented by imports

NEWS DIGEST

SUGAR

Global surplus to rise to 2.24m tonnes, report says

The global sugar surplus is expected to rise significantly in 1998-99, with stocks now predicted to be 2.24m tonnes against 1.74m tonnes in 1997-98. In its latest monthly analysis Czarnikow, the broker and analyst, has revised upwards expected global production figures, from 126.02m tonnes in 1997-98 to 128.49m tonnes in 1998-99. World consumption in 1999 is expected to rise to 125.5m tonnes, against 123.54m tonnes in 1998.

The report states that the anxiety over the possible effects on sugar production of the recent El Niño abnormal weather pattern proved to be groundless. "Twelve months later the situation has been transformed and, instead of falling, stocks are now higher than a year ago by some 1.74m tonnes. In other words the position has swung round by 3.61m tonnes during the course of 1997-98."

In particular, India has produced a crop some 2m tonnes higher than expected, and no state-sector imports have been required, though more than 600,000 tonnes have been imported by the private sector.

Czarnikow says a further important influence on the market has been the "huge gain in production in China, so much so that the prospect of sizeable imports from the world market, which seemed likely at one stage, has faded away". China in fact has turned in a record harvest of 8.82m tonnes, up 1.43m tonnes from the previous year. Even South Africa, parts of which did suffer from an El Niño induced drought, is likely to deliver a "new record level of 2.82m tonnes". **Gary Mead**

COFFEE

India aims to lift consumption

India's coffee industry has proposed a nationwide promotional campaign to halt declining domestic coffee consumption. J. H. Mehta, who sits on the state-run Coffee Board, said the plan to lift consumption had been submitted to the government and was awaiting parliamentary approval.

It calls for an additional tax on coffee exports to fund the promotion and seeks to achieve annual growth of 10 per cent in domestic consumption over the next five years, hitting 80,000 tonnes annually by 2002.

The plan aimed to promote coffee through television, the press, radio, outdoor advertising and distribution of samples, Mr Mehta said. It also proposes to double the tax on coffee exports to 1 rupee a kg. "This would result in additional revenues of about Rs75m [$1.77m] to Rs100m and can easily finance the domestic promotional plan," Mr Mehta said.

Domestic coffee consumption has been shrinking since 1985, but its decline accelerated from 1995 when domestic coffee prices surged after an increase in global prices, Mr Mehta said. The industry estimates that domestic coffee consumption since 1995 has fallen 40 per cent in the soluble coffee category and 25 per cent in the roast-and-ground category. India produces about 3 per cent of the world's coffee, of which 30 per cent is consumed locally. In 1997-98, India's coffee production is forecast at a record 228,000 tonnes. **Reuters, Bangalore**

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1306.5-7.5	1327-28
Previous	1305.5-6.5	1325-6
High/low		1330/1314
AM Official	1297.5-98.5	1318.5-19
Kerb close		1328-29
Open int.	295,721	
Total daily turnover	82,736	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1150-60	1175-80
Previous	1145-55	1165-75
High/low		1180/1170
AM Official	1151-52	1170-75
Kerb close		1180-85
Open int.	6,814	
Total daily turnover	719	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	535.5-6.5	542.5-3.0
Previous	555.5-6.5	559.5-600.0
High/low		550/531
AM Official	528.5-9.5	535-5.5
Kerb close		544-45
Open int.	37,554	
Total daily turnover	8,630	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	4130-40	4190-200
Previous	4120-25	4160-65
High/low		4220/4150
AM Official	4105-10	4160-65
Kerb close		4190-200
Open int.	53,115	
Total daily turnover	15,330	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5700-10	5570-80
Previous	5655-65	5530-40
High/low		5580/5530
AM Official	5665-75	5530-40
Kerb close		5560-70
Open int.	14,743	
Total daily turnover	2,675	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1056-57	1075.5-6.5
Previous	1060.5-2.5	1081-3
High/low		1077/1065
AM Official	1049-50	1067.5-68
Kerb close		1074-75
Open int.	92,157	
Total daily turnover	10,737	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1612.5-13.5	1633-34
Previous	1639-41	1660-62
High/low		1650/1622
AM Official	1607-08	1627.5-28
Kerb close		1636-7
Open int.	172,884	
Total daily turnover	61,884	

■ LME AM Official £/$ rate: 1.6333
LME Closing £/$ rate: 1.6330

Spot: 1.6338 3 mths: 1.6261 6 mths: 1.6176 9 mths: 1.6106

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	73.55	-0.05	73.65	72.80	141	1,687
Sep	73.90	-0.10	74.00	72.80	4,118	30,822
Oct	74.10	-0.10	74.10	73.30	40	2,126
Nov	74.30	-0.05	74.25	74.25	21	1,574
Dec	74.50	-0.15	74.60	73.70	1,751	13,663
Jan	74.60	-0.15	74.40	74.10	14	1,847
Total					6,388	58,564

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	287.30-287.80		
Opening	287.40-287.70		
Morning fix	286.85	175.229	426.833
Afternoon fix	287.80	176.272	427.613
Day's High	288.10-288.40		
Day's Low	286.20-286.50		
Previous close	287.20-287.70		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	n/a	6 months	-
2 months	-	12 months	-
3 months	-		

Silver Fix	p/troy oz.	US cts equiv.
Spot	331.90	542.00

Silver Lending Rates

1 month	2.75	6 months	1.50
2 months	2.50	12 months	0.75
3 months	2.25		

Gold Coins	$ price	£ equiv.
Krugerrand	287-291	176-178
New Sovereign	66-70	40-43

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	287.8	-0.4	288.8	287.4	625	2,335
Oct	289.3	-0.4	290.3	288.9	769	11,396
Dec	291.4	-0.4	292.5	290.4	22,866	100k
Feb	293.3	-0.3	293.6	293.6	23	13,833
Apr	295.3	-0.3	295.5	295.3	22	8,975
Jun	297.2	-0.3	297.4	297.4	25	12,370
Total					24,123	189,278

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	386.6	+6.4	387.5	381.0	1,182	8,517
Jan	387.1	+6.7	388.0	386.0	26	849
Apr	387.1	+7.7	386.0	386.0	1	22
Jul	387.1	+7.7	387.0	387.0	14	3
Total						

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	296.00	-0.65	296.10	292.50	221	2,891
Dec	288.50	-0.65	287.00	284.00	15	1,044
Mar	281.50	-0.65	280.00	280.00	-	23
Total						

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	543.0	+2.5	548.0	539.5	9,150	39,370
Dec	546.6	+2.6	551.0	542.5	857	26,810
Jan	548.1	+2.6	544.0	544.0	-	28
Mar	548.6	+2.6	552.0	548.0	1,084	5,478
May	550.2	+2.6	550.0	546.0	1	1,703
Jul	551.7	+2.6	550.0	550.0	44	2,521
Total					10,903	81,059

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	13.80	+0.12	13.92	13.64	77,145	114k
Oct	14.16	+0.10	14.26	14.01	27,609	68,295
Nov	14.48	+0.09	14.55	14.39	6,974	38,916
Dec	14.78	+0.08	14.87	14.63	10,419	48,279
Jan	15.04	+0.08	15.09	15.00	1,453	31,180
Feb	15.33	+0.12	15.37	15.31	-	18,099
Total					131,878	482,289

■ CRUDE OIL IPE ($/barrel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	12.72	+0.15	12.82	12.51	13,261	57,083
Oct	12.98	+0.12	13.04	12.80	12,338	47,450
Nov	13.24	+0.07	13.32	13.08	1,732	18,593
Dec	13.53	+0.09	13.60	13.38	3,191	35,348
Jan	13.72	+0.10	13.78	13.67	1,191	29,154
Feb	13.92	+0.12	14.03	13.88	476	18,440
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	36.10	+0.33	36.35	35.70	16,987	53,080
Oct	37.55	+0.18	37.85	37.30	4,149	22,850
Nov	39.20	+0.18	39.50	39.02	1,586	16,023
Dec	41.00	+0.28	41.20	40.72	2,300	25,034
Jan	42.25	+0.28	42.45	41.97	1,138	23,789
Feb	43.25	+0.38	43.35	43.00	831	14,485
Total					28,850	185,874

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	107.25	-2.25	108.50	106.50	10,975	21,824
Sep	111.25	-2.50	112.50	110.50	5,420	26,216
Oct	116.00	-2.00	117.00	115.00	749	21,183
Nov	120.00	-1.75	121.00	119.25	971	14,142
Dec	123.25	-1.75	124.25	122.75	1,477	35,948
Jan	126.25	-1.50	127.00	126.00	1,082	12,292
Total					21,000	168,583

■ NATURAL GAS IPE (1,000 therms; pence per therm)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	10.130	+0.040	10.180	9.980	1,190	2,180
Oct	11.180	-0.010	11.180	11.150	50	3,480
Total					1,680	22,980

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	1.825	-0.048	1.880	1.820	18,338	53,353
Oct	1.880	-0.049	1.930	1.875	4,981	30,350
Nov	2.175	-0.033	2.224	2.170	2,649	24,114
Dec	2.460	-0.027	2.500	2.450	2,836	25,760
Jan	2.560	-0.027	2.590	2.565	2,403	24,181
Feb	2.465	-0.022	2.488	2.460	1,884	15,485
Total					35,415	283,846

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	42.75	+0.81	43.05	41.95	18,174	48,199
Oct	42.55	+0.47	42.80	41.85	6,067	18,308
Nov	43.22	+0.41	43.35	43.20	1,590	4,953
Dec	44.10	-	44.10	43.70	1,567	6,002
Jan	44.75	+0.34	44.75	44.75	460	3,213
Feb	45.60	-	45.60	45.60	70	1,516
Total					26,798	83,313

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	69.25	+1.15	67.95	67.95	10	188
Nov	71.25	+1.15	71.25	70.75	72	3,510
Jan	73.25	+1.15	73.25	73.00	105	1,823
Mar	75.25	+1.15	75.25	74.80	32	876
May	77.25	+1.15	77.25	76.75	40	699
Total					249	7,107

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	251.25	+4.50	251.50	246.50	3,734	44,603
Dec	267.50	+4.25	268.00	262.50	5,648	53,254
Mar	283.00	+4.25	283.50	278.50	1,850	19,353
May	291.50	+4.00	293.00	289.75	63	3,419
Jul	301.50	+2.50	303.00	298.50	629	7,532
Sep	310.00	+2.00	308.50	308.50	82	226
Total					12,808	128,387

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	210.25	-1.25	211.50	209.00	21,621	86,149
Dec	219.75	-0.75	220.00	218.50	30,999	160,746
Mar	231.25	-0.50	231.50	230.25	5,958	38,747
May	238.75	-0.75	239.00	238.00	2,108	11,604
Jul	244.50	-0.25	244.50	243.50	1,427	18,479
Sep	248.50	-	249.00	248.25	28	1,683
Total					62,455	321,838

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	69.70	+0.50	-	-	-	41
Nov	72.50	+0.60	72.50	72.50	50	817
Jan	74.50	+0.50	74.50	74.50	15	287
Mar	76.35	+0.50	75.50	75.50	-	65
May	77.35	+0.50	-	-	-	23
Total					63	1,333

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	549.50	-6.00	553.50	543.00	5,214	6,874
Sep	539.00	-4.25	541.50	534.00	5,884	17,097
Nov	539.00	-2.25	540.00	533.50	32,906	80,474
Jan	548.75	-1.25	549.75	544.00	2,083	11,747
Mar	560.00	-0.75	560.50	558.50	2,165	9,704
May	568.00	-1.00	569.00	562.00	406	2,420
Total					58,788	136,132

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	23.14	-0.58	23.68	22.96	3,448	4,457
Sep	23.25	-0.60	23.79	23.00	5,744	28,935
Oct	23.38	-0.58	23.90	23.13	2,227	15,451
Dec	23.49	-0.55	24.03	23.25	9,687	46,171
Jan	23.60	-0.48	24.07	23.48	535	4,831
Mar	23.64	-0.53	24.12	23.60	1,451	6,877
Total					25,132	111,576

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	141.7	-1.1	142.9	139.6	3,653	9,981
Sep	139.7	+0.6	141.0	137.2	6,617	25,521
Oct	139.9	+1.5	140.7	136.9	2,817	19,890
Dec	142.3	+1.6	143.6	139.1	11,089	61,587
Jan	144.6	+1.9	145.3	141.9	1,474	10,692
Mar	148.3	+1.7	149.5	146.5	1,294	9,404
Total					29,116	144,291

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	80.0	-	-	-	-	3
Mar	112.5	-	-	-	-	-
Apr	168.5	+3.5	168.0	168.0	16	2,206
May	178.5	+3.5	-	-	-	29
Jun	188.5	+3.5	-	-	-	-
Total					16	2,206

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	770	-10	775	765	13	266
Oct	875	-10	885	875	26	516
Jan	915	-10	925	915	58	352
Apr	960	-5	-	-	-	200
Jul	850	-5	-	-	-	200
Total					131	1,832

	Close	Prev
BFI	798	808

PULP AND PAPER

■ PULPEX OMLX (US$; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	432.00	-	430.00	427.50	30	483
Dec	460.00	-	463.00	462.00	22	232
Total					82	791

FUTURES DATA
All futures data supplied by CMS.

Wool from Mallett & Co
The Australian wool market crisis led to the minister for primary industries imposing a freeze on all sales from the stockpile. Many traders are unhappy at this sudden and, for some, damaging twist in the long saga of floor price and stock disposal. Australian prices fell sharply at the first auctions held after the recess, and have hovered uncertainly since the stockpile freeze. The Eastern Market Indicator from AWEX ended at 549 cents a kg, 44 cents lower than on July 9. New Zealand wool prices were well down again after last week's sharp drop, the overall indicator at 397 cents a kg, 11 cents down on the week.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1067	+1	1067	1058	1,926	31,821
Dec	1098	+2	1100	1089	2,954	45,233
Mar	1121	+2	1121	1112	294	39,546
May	1137	+2	1137	1130	71	14,264
Jul	1153	+2	1153	1143	231	7,941
Sep	1169	+2	1170	1189	1,158	23,853
Total					6,448	167,286

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1554	+1	1565	1542	2,508	21,246
Dec	1591	-1	1600	1582	2,201	24,713
Mar	1632	-1	1638	1626	1,155	13,523
May	1658	-3	1664	1662	90	5,413
Jul	1685	-3	1689	1689	50	1,748
Sep	1711	-3	-	-	10	1,877
Total					5,983	75,169

■ COCOA (ICCO) (SDR's/tonne)

Aug 5	Price	Prev. day
Daily	1265.03	1267.98

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1669	+6	1670	1646	1,592	16,949
Nov	1639	+4	1642	1620	985	12,190
Jan	1626	+11	1624	1603	310	2,301
Mar	1609	+6	1605	1594	38	1,385
May	1609	+6	1599	1590	34	271
Jul	1609	+6	1610	1602	25	78
Total					2,925	33,174

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	132.00	+1.50	132.25	128.00	4,798	15,510
Dec	124.00	+0.40	124.20	121.25	2,458	9,770
Mar	119.20	+0.30	119.25	117.75	509	5,496
May	119.20	+0.15	119.25	118.09	30	2,254
Jul	119.20	+0.10	118.20	118.30	48	1,074
Sep	119.75	+0.25	119.50	119.50	44	1,441
Total					7,810	35,694

■ COFFEE (ICO) (US cents/pound)

Aug 5		Prev. day
Comp. daily	105.78	101.15
15 day average	99.58	98.84

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	249.7	-0.4	250.6	248.2	722	20,787
Dec	249.6	-0.6	250.7	249.9	125	5,254
Mar	252.8	-1.1	254.3	252.7	277	7,499
May	256.4	-0.8	258.0	257.9	-	1,991
Aug	260.3	-1.1	262.0	262.0	-	1,321
Oct	260.1	-1.2	262.0	262.0	-	659
Total						

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	9.40	+0.01	9.44	9.39	309	5,697
Oct	8.83	-0.02	8.91	8.78	12,652	85,437
Mar	9.18	+0.01	9.22	9.16	3,669	40,184
May	9.18	+0.02	9.21	9.17	120	6,466
Jul	9.14	-0.01	9.17	9.10	145	5,274
Oct	9.31	+0.01	9.34	9.30	350	6,086
Total					17,265	149,375

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	73.72	+1.67	74.15	72.40	1,411	5,214
Dec	72.88	+1.70	73.10	71.60	10,325	39,344
Mar	73.10	+1.29	73.35	72.30	2,324	16,506
May	73.60	+1.22	73.60	72.70	647	8,050
Jul	74.10	+1.20	74.10	73.10	385	4,429
Total					15,192	79,834

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	107.40	-0.40	107.80	107.20	885	14,006
Nov	110.65	-0.40	111.25	110.60	139	5,136
Jan	113.50	-0.40	113.75	113.60	82	2,363
Mar	116.25	-0.40	116.60	116.30	65	1,635
May	119.00	-0.40	-	-	10	684
Jul	121.50	-0.40	121.90	121.90	-	273
Total					1,181	24,118

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Aug 6	Aug 5	month ago	year ago
1549.0	1551.5	1638.4	1922.2

■ CRB Futures (Base: 1967 = 100)

Aug 5	Aug 4	month ago	year ago
205.57	204.69	-	-

■ GSCI Spot (Base: 1970 = 100)

Aug 5	Aug 4	month ago	year ago
141.84	143.60	152.45	197.38

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-1,800	to	499,250
Aluminium alloy	+100	to	69,430
Copper	+325	to	262,625
Lead	+5,825	to	107,700
Nickel	-30	to	61,176
Zinc	-1,760	to	371,225
Tin	-25	to	6,740

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Aug	61.575	+0.250	62.200	61.150	6,809	16,353
Oct	61.325	-0.650	62.600	61.250	9,207	39,084
Dec	62.750	-0.600	63.650	62.550	4,237	16,544
Feb	64.375	-0.575	64.900	64.150	2,293	9,932
Apr	65.900	-0.375	66.400	65.800	1,218	4,026
Jun	64.150	-0.225	64.500	64.150	204	930
Total					24,001	86,941

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Aug	51.775	+1.000	51.850	50.950	3,648	7,799
Oct	44.850	+1.625	44.900	43.250	3,667	13,357
Dec	44.650	+1.025	44.800	43.550	1,678	8,095
Feb	47.950	+0.775	48.250	47.350	271	2,345
Apr	47.500	+0.850	47.700	46.700	116	596
Jun	53.600	+0.675	55.600	54.925	19	341
Total					9,413	32,712

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Aug	64.750	+2.150	65.600	64.000	2,205	1,928
Feb	55.100	-1.025	57.700	55.000	1,187	1,845
Mar	55.300	-0.700	56.500	56.000	1	7
Total					3,395	3,780

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Sep	Dec	Sep	Dec
1250	78	114	5	16
1300	40	79	17	31
1350	16	52	43	53
■ COPPER (Grade A) LME	Sep	Dec	Sep	Dec
1500	136	168	5	27
1600	60	103	29	60
1700	18	56	86	113
■ COFFEE LIFFE	Sep	Nov	Sep	Nov
1550	123	119	4	30
1600	79	87	10	48
1650	45	62	26	73
■ COCOA LIFFE	Sep	Dec	Sep	Dec
1050	29	80	12	32
1075	16	66	24	43
1100	8	53	41	55
■ BRENT CRUDE IPE	Sep	Oct	Sep	Oct
1300	16	-	-	-
1350	4	36	-	-
1400	1	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$12.24-2.29	-0.255
Brent Blend (dated)	$12.02-2.09	-0.180
Brent Blend (Sep)	$12.73-2.76	-0.190
W.T.I.	$13.62-3.64x	-0.200

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

		+or-
Premium Gasoline	$157-158	
Gas Oil	$107-108	-2
Heavy Fuel Oil	$60-62	
Naphtha	$119-122	
Jet fuel	$117-119	-1.5
Diesel	$114-115	-3

■ NATURAL GAS (Pence/therm)

		+or-
Bacton (Sep)	10.01-10.16	+0.09

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

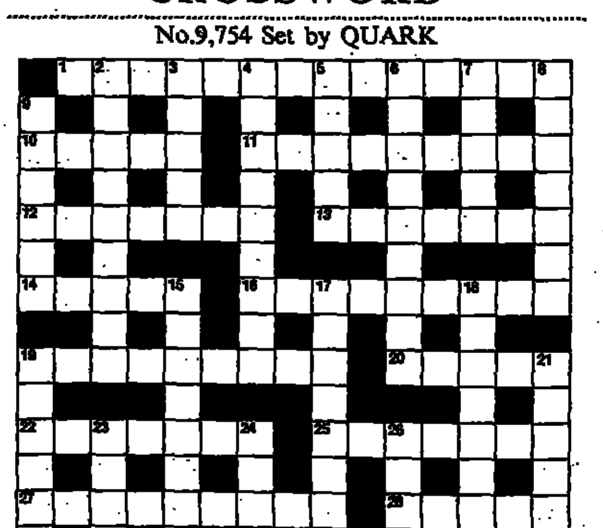
		+or-
Gold (per troy oz)‡	$287.55	+0.10
Silver (per troy oz)‡	546.50c	+8.00
Platinum (per troy oz.)	$390.00	+4.00
Palladium (per troy oz.)	$293.50	+0.50
Copper	79.0c	-4.0
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	22.91r	+0.17
Tin (New York)	269.5	
Cattle (live weight)	87.82p	-0.67
Sheep (live weight)	104.13p	+1.82
Pigs (live weight)†	49.39p	+2.72
Lon. day sugar (raw)	$215.10	+3.10
Lon. day sugar (wte)	$261.50	+2.00
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	$109.00	
Wheat (US Dark North)	Unq	
Rubber (Sep)¥	46.50p	-0.75
Rubber (Oct)¥	47.00p	-0.75
Rubber (KL RSS No1)	286.50m	-5.50
Coconut Oil (Phil)§	$655.0y	
Palm Oil (Malay.)§	$627.5	+5.0
Copra (Phil)§	$395.0y	-5.0
Soyabeans (US)	151.0y	-7.0
Cotton Outlook'A' index	68.15	
Wooltops (64s Super)	306p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Aug/Sep. x Sep. ¥ London Physical. § CIF Rotterdam. ‡ Bullion market close. * Change on week. †Based on n/a head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,754 Set by QUARK



ACROSS

1 Accommodation in these parts (6,8)
10 Bad writing lacking initial character, to make slow progress (5)
11 Scab I rile, being wild, hot-tempered (9)
12 I'm used by those above me (7)
13 Had cine reset to capture a mammal (7)
14 Part of poem discovered in American tome (5)
16 GP's directions to specialist (9)
19 One coping with the rounds to finish in exchange (9)
20 Former church left in eclipse (5)
22 Doomed, but no right to be charged (7)
25 Nocturnal type is positive in sumo wrestling (7)
27 I natter in trains when travelling (9)
28 Doctor's not on for a current increase (5)
29 Go for it! (wearing gloves?) (5,3,6)

DOWN

2 Ronnie's car in accident in a difficult situation (2,1,6)
3 City held by distinctive doctrine as a religion (5)
4 What's good scattered about showed sparkle (9)
5 University's wise treatment (5)
6 Hear score broadcast? One hopes for the best of course (9)
7 English books editor declined (5)
8 Understand sayings seen in the playground (7)
9 Sour account one police body turns up (6)
15 One could do it without alarm (9)
17 Do without damaged tent, being neglected (9)
18 Lancaster surprisingly inherited from the past (9)
19 Live with a ring defeat (7)
21 Move with difficulty useless articles in store (6)
22 Feature a collection of porcelain (5)
24 Hated to bring about demise (5)
26 Start attack (5)

Solution 9,753

C	A	N	N	I	B	A	L		B	U	T	T	E	R
O		A		N		R				N		H		E
M	A	I	N	T	A	I	N		C	A	M	E	R	A
E		A		A		S				B		M		D
D	E	D	I	C	A	T	E		S	A	F	A	R	I
Y		S		T		O		A		T		F		N
					S	C	A	M	P	E	R	I	N	G
A		P		C		R		P		D		A		S
B	A	R	E	H	E	A	D	E	D					
E		I		L		T		R		B		B		B
R	A	N	D	O	M		E	S	C	A	P	A	D	E
D		T		R				A		N		G		A
E	R	O	T	I	C		E	N	D	A	N	G	E	R
E		U		N				D		N		E		E
N	U	T	T	E	R		I	S	L	A	N	D	E	R

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

Swiss Life Investment Fund – Proteus (x)

Foreign & Colonial Emerging Markets Ltd

Formosa High Tech Fund

Framlington Investment Mgmt (Ireland) Ltd

Tilney (Ireland) Ltd

Frank Russell Investments (Ireland) Ltd

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)

FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances

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Bank Von Ernst & Cie AG

FT Global

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Allied Domecq	†‡	[illegible]	-2½	646	414	1,394	4.5	13.6
Bulmer (HP)		351	—	485½	295	2	5.3	14.7
Burn Stewart	†	[illegible]	—	[illegible]	[illegible]	4	20.7	—
Diageo	‡	[illegible]	+7	[illegible]	432	3,015	3.4	30.8
Glenmorangie A		[illegible]	—	[illegible]	755	-	2.1	20.0
B		937½	—	1090	890	-	0.9	43.7
Highland	†	249½	-1½	327	249½	12	4.6	11.5
5¾pc Cv Sb Bd		[illegible]	—	[illegible]	[illegible]	-	6.2	—
Kirin Y		[illegible]	[illegible]	[illegible]	[illegible]	-	1.0	—
Matthew Clark		[illegible]	+3	[illegible]	157	192	8.8	7.2
Merrydown		42½	[illegible]	[illegible]	[illegible]	-	-	Φ
Seagram C$		[illegible]	[illegible]	[illegible]	[illegible]	-	1.3	—

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CONSTRUCTION

[illegible]

CONSTRUCTION - Continued

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

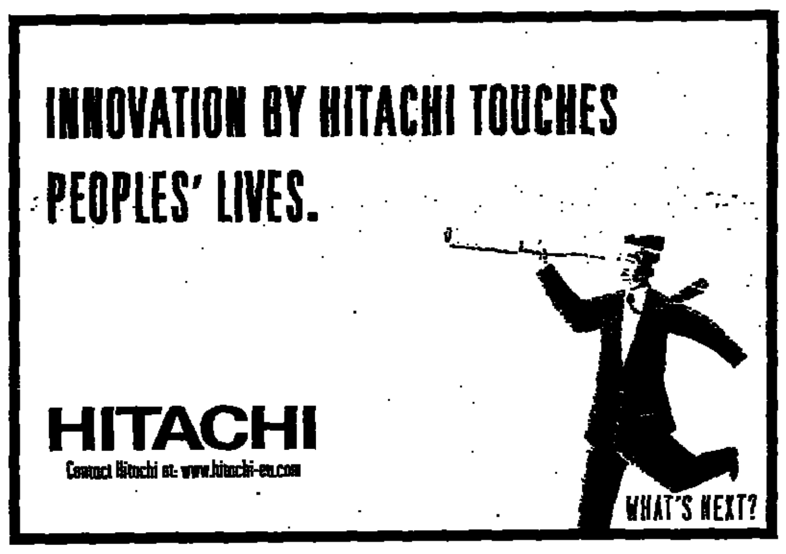
[illegible]

ENGINEERING - Continued

[illegible]

ENGINEERING, VEHICLES

[illegible]



ENGINEERING, VEHICLES - Continued

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS & TEXT

[illegible]

HOUSEHOLD GOODS & TEXT - Continued

[illegible]

INSURANCE

[illegible]

INSURANCE - Continued

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Continued

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Continued

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

Approved by the Inland Revenue

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Continued

OIL, EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Continued

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Continued

SUPPORT SERVICES

SUPPORT SERVICES - Continued

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

TRANSPORT - Continued

WATER

AIM

AIM - Continued

The Alternative Investment Market, designed primarily for small companies, is regulated by the Stock Exchange but has less demanding rules than the Official List.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Anglo Am Ind R		[illegible]	-32	£19½	[illegible]	-	5.8	6.4
Barlow R		[illegible]	[illegible]	[illegible]	[illegible]	-	4.3	9.0
Gold Flds Prop R		93½	-1	197	89½	-	6.8	12.2
SA Breweries R		£11¼	[illegible]	£23¼	£11¼	-	2.9	17.1
Standard Bank R		[illegible]	[illegible]	[illegible]	[illegible]	-	1.5	-
Tiger Oats	†	490	-29	1081	480	-	3.2	11.2
Tongaat-Hulett R		519¼	-29¾	789	413	-	2.7	14.2

TRADED INDEX SECURITIES

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
FTSE 100 TRAINS		[illegible]	-	[illegible]	£472	-	-	-

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 Index constituents and reserves contained in the Trading Volume table on the LSE page, last trade prices at or prior to 4.30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on IIMR "Headline Earnings" formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(20) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- †† Rule 4.2(a) UK incorporated non-listed companies.
- # Price at time of suspension
- , Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield, p/e based on earnings updated by latest interim statement
- ♠ Unregulated collective investment scheme.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1400 a year for each security shown, subject to the Editor's discretion

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Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details. Calls are charged at 50p per minute at all times.

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The share prices printed on these pages are also available on the Internet at http://www.FT.com.

LONDON STOCK EXCHANGE

Footsie correction flushes out tentative buying

MARKET REPORT

By Peter John

After its fourth successive fall, the FTSE 100 index was hovering on the edge of fragile support levels.

From its peak less than three weeks ago to yesterday's low, the blue-chip index had fallen 10.2 per cent.

A correction is classified as a slide of 10 per cent and usually stimulates buying activity. Strategists said any further significant weakness could push the market into a new, lower trading range and wipe out all the gains achieved this year.

"We've trimmed the puppy fat. What comes off the market from here on is just muscle and bone," said one senior dealer.

Footsie closed 38.4 lower at 5,594.1 while the FTSE 250 fell 10.5 to 5311.0 and the SmallCap 1.9 to 2,413.3.

However, at these levels, news that is bad for most people is good for the stock market. The latest Confederation of British Industry survey on retail sales showed growth had slowed to its lowest level for more than three years.

The service sector makes up the bulk of the UK economy and this survey provides the final confirmation for those who needed it that the economy is slowing down.

That figure added weight to the latest information on the downturn in manufacturing and built on the argument that a succession of rate rises are finally beginning to bite.

Richard Kersley of Credit Suisse First Boston, one of the most optimistic brokers with an end-of-year forecast of 6,600, says the augury points to recovery.

"Anyone concerned about a two-speed economy should take some comfort from the figures. And money markets reflect the view that interest rates have peaked," he said.

Mr Kersley was further encouraged by the Bank of England's decision to leave interest rates unchanged.

Few economists expected a rise and when the monetary policy committee's decision was announced at midday the market barely registered its acknowledgment.

Nevertheless, some saw the decision as the beginning of the end of bad times. Kevin Adams of Barclays Capital said in his latest research: "The market seems to be coming to the view that whatever the MPC decide at their August meeting, the big move from here is down."

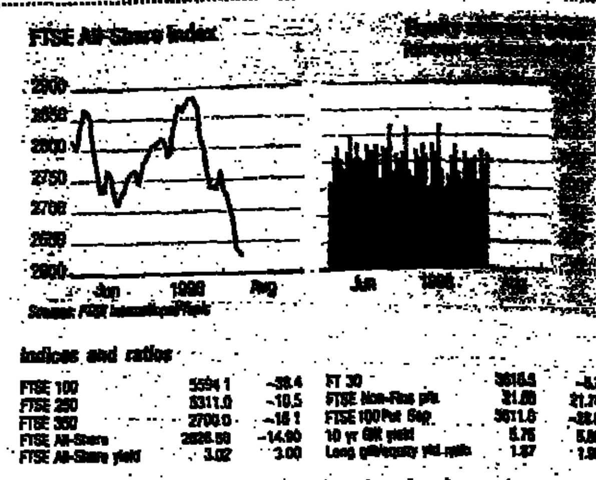
The market appeared to take that view and run with it. Buying was boosted by speculations that low valuations would produce a big bid, possibly in the water sector. From an intra-day fall of 85 points, Footsie shrugged off pressure from the futures markets to rally steadily throughout the rest of the day.

David Schwartz, the stock market historian, says the idea that markets fall over the summer because of lack of interest is a myth.

"August is the third most profitable month for investors. Share prices rise 1.24 per cent in the average year," says Mr Schwartz in his stock market handbook. That would leave Footsie just 15 points shy of 6,000 by the end of the month. However, he adds that that strength is primarily a bull market phenomenon.

Turnover by 6pm was 837.2m shares, with volume weighted towards Footsie stocks.

FTSE All-Share Index



Source: FTSE International/Reuters

Indices and ratios

FTSE 100	5594.1	-38.4	FT 30	3618.3	-8.7
FTSE 250	5311.0	-10.5	FTSE Non-Fins p/e	21.60	21.74
FTSE 350	2700.0	-16.1	FTSE 100 Fut Sep	5611.0	-28.0
FTSE All-Share	2628.50	-14.90	10 yr Gilt yield	5.75	5.80
FTSE All-Share yield	3.02	3.00	Long gilt/equity yld ratio	1.87	1.90

Best performing sectors

1 Engineering: Vehicles +3.7
2 Diversified Industrials +2.9
3 Electronic: Elect Equip +1.6
4 Tobacco +1.2
5 Building Matls & Merchs +1.0

Worst performing sectors

1 Oil: Integrated -3.7
2 Resources -3.2
3 Oil Exploration & Prod -1.7
4 Telecommunications +1.5
5 Pharmaceuticals +1.3

Shell frustrates analysts

COMPANIES REPORT

By Joel Kibazo and Martin Brice

Oil specialists condemned Shell Transport yesterday for compounding disappointing figures by offering a poor explanation.

Frustration over senior management's performance sent the shares spiralling down 8.5 per cent at worst on exceptionally heavy turnover of 49m shares. They later steadied to close 26½ off at 356p.

Shell produced profits at the bottom of market estimates on top of news of low volume growth in the company's upstream business and little signs of any real benefits from the current restructuring programme.

Analysts were particularly vexed by the conference call that followed the figures. One said: "We were all trying to ask tough questions about this poor performance, but there were no satisfactory answers. We are really angry with the management's performance and completely disillusioned."

John Toalster at SG Securities said: "Shell is reverting to its practice of producing disappointing results and compounding the problem by failing to produce a satisfactory explanation."

Alan Sinclair at Charterhouse Tilney predicted the shares were likely to remain under pressure.

He said: "Against a general backdrop of concerns on the oil price, Shell continues to offer a gloomy combination of slower-than-expected exploration and production volume growth, relatively high exposure to Asian oil product markets and a potential meltdown in world petro-chemical markets."

Analysts are expected to cut earnings estimates by around 7 per cent.

Speculation about a deal in the water sector was countered by unsubstantiated rumours of an investigation into Enron's agreed £1.4bn bid for Wessex Water by competition authorities.

A news agency report suggested the water industry regulator, Ofwat, had recommended Enron's bid for Wessex be investigated by the Monopolies and Mergers Commission.

Ofwat later denied it had made such a recommendation, but not before several dealers had moved to lighten holdings in the stock. The shares fell 6½ to 592½p, with 4.7m having been dealt by the close.

Yesterday's confusion came amid fears that Peter Mandelson, the new trade and industry secretary, may refer the bid to the MMC in an attempt to signal the government's continued concern about high water bills and highly paid fat-cat directors' salaries.

Vague talk of a bid in the sector was also heard yesterday. Analysts continue to predict that the low rating of the water sector is likely to trigger further interest from overseas bidders.

Compass Group was the worst performer in the FTSE 100 after Dresdner Kleinwort Benson was reported to have published a critical research note.

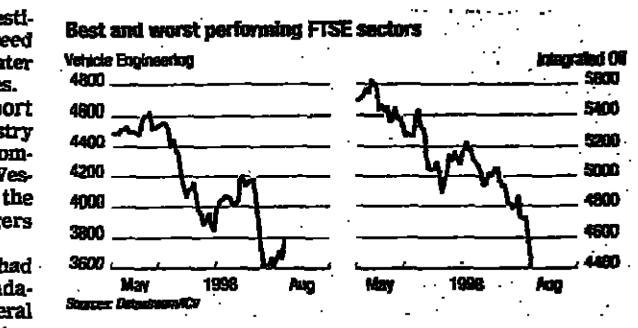
The broker is believed to have downgraded its recommendation to "reduce" from its previous "add" stance and the shares responded by falling 62 to 538p.

On Monday, Compass confirmed its business and industry subsidiary, Eurest, had won a Ministry of Defence contract for catering and support services in Germany.

The company said the contract would cover 25,000 military personnel with the British Army in Germany and their dependants and was worth a potential £500m ($825m) in turnover over seven years.

GEC was up 9¼ to 472p after Salomon Smith Barney upgraded its stance from "neutral" to "outperform". It cited the company's defensive qualities, which stemmed from the long lead times that made it relatively insulated from the economic cycle.

Best and worst performing FTSE sectors



Source: Datastream/ICV

Hepworth bid talk

The best FTSE 250 performer was Hepworth, which gained 15½ to 190p on a story that a German company was lining up a bid for the building materials company.

There were suggestions in March of continental interest in Hepworth. A price of £650m was mentioned, which would represent a 40 per cent premium to last night's close.

Leading engineering stocks responded to the Bank of England's monetary policy committee decision against a further rise in interest rates and the pound weakening against the D-Mark to close at DM2.88.

LucasVarity gained 12¾ to 230p following its announcement on Wednesday that it was to sell its heavy vehicle braking systems.

Rolls-Royce rose 10½ to 233¾p, while GKN gained 31 to 779p.

British Airways was under pressure and one of the worst performers in the Footsie in brisk volume of 3.3m as investors took fright ahead of first-quarter results due on Monday. The shares lost more than 4 per cent, or 25¼ to 569½p.

While the figures are expected to show healthy underlying growth, there was some talk that the company might be lining up a big announcement.

The company said the board was due to meet today to discuss the proposed £1.5bn replacement of its regional jet fleet. The announcement of that decision was not expected on Monday.

Elsewhere among transport stocks, Stagecoach was one of the better Footsie performers and advanced 66 to £12.

Analysts said the shares, which reached £14.63 earlier this year, had been oversold, and were benefiting from a move towards defensive stocks.

Laporte benefited from investor reaction to its agreed 340p a share bid for Inspec. While Laporte gained 24 to 664½p, Inspec firmed to 334p.

KBC Advanced Technologies rose 26 or 17 per cent to 181p following results in line with expectations.

The specialist oil services company, which issued a profit warning in June, said yesterday that, although trading in the North American market was still difficult, the full-year result would be ahead of the £8.2m last time.

Core Group rose 4 to 67½p after announcing a marketing agreement for a morphine rectal delivery product.

London International Group was off 16½ at 209p in brisk trade of some 2.9m after it said the launch of Durex condoms in the US would result in first-half profits being lower than last time.

FT 30 INDEX

	Aug 6	Aug 5	Aug 4	Aug 3	Jul 31	Yr ago	*High	*Low
FT 30	3610.3	3619.0	3662.8	3700.3	3706.2	3222.3	3984.0	3585.3
Ord. div. yield	2.98	2.98	2.93	2.92	2.91	3.39	4.22	2.72
P/E ratio net	22.47	22.52	22.86	22.98	23.02	19.07	25.41	15.80
P/E ratio nil	22.37	22.43	22.76	22.89	22.92	18.88	25.19	15.71

FT 30 since compilation: high 3920.3 11/05/98; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

9	10	11	12	13	14	15	16	High	Low
3619.0	3609.4	3599.8	3603.6	3591.1	3594.8	3586.0	3597.0	3630.1	3585.3

STOCK MARKET TRADING DATA

	Aug 6	Aug 5	Aug 4	Aug 3	Jul 31	Yr ago
SEAQ bargains	61,620	71,888	63,958	60,911	72,402	58,073
Equity turnover (£m)†	-	n/a	2603.3	2803.1	2988.8	2492.4
Equity bargains†	-	n/a	45,333	50,846	48,309	47,799
Shares traded (m)†	-	n/a	626.1	681.0	728.9	751.2
Total market bargains‡	-	n/a	61,428	-	68,376	-
Total turnover (£m)‡	-	n/a	3885.1	-	4292.1	-
Total shrs traded (m)‡	*837.2	n/a	885.0	647.2	824.9	-
Tradepoint turnover (£m)	29.0	74.8	15.2	14.4	13.8	2.6
Tradepoint shrs traded(m)	9.7	15.6	5.9	5.0	4.8	0.4

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	583	Total Highs	22	Total contracts	31,925
Total Falls	926	Total Lows	145	Calls	14,522
Same	1,473			Puts	17,403

Aug 6 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	5685.0	5611.0	-28.0	5685.0	5562.0	23949	185866
Dec	5706.0	5685.0	-29.0	5706.0	5664.0	510	8184
Mar	5757.0	5758.0	-36.0	5757.0	5757.0	20	970

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

[illegible]

■ FTSE 100 INDEX OPTION (LIFFE) (*5594) £10 per full index point

[illegible]

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

FTSE GOLD MINES INDEX

	Aug 6	% chg on day	Aug 4	Year ago	Gross div yield %	P/E ratio	52 week High	Low
Gold Mines Index (28)	901.78	+1.6	883.04	1374 [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
■ Regional Indices								
Africa (10)	987.76	+3.1	958.10	1371 [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australasia (7)	1055.11	-0.9	1064.33	1520 [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Americas (11)	853.74	+0.3	851.06	1369 [illegible]	[illegible]	[illegible]	[illegible]	[illegible]

 Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. [illegible]

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Aug 6	Day's chge%	Aug 5	Aug 4	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5594.1	-0.7	5632.5	5736.1	5066.8	2.98	2.52	1.94	21.65	89.04	2452.33
FTSE 250	5311.0	-0.2	5321.5	5444.9	4598.2	3.11	2.63	1.99	20.18	87.40	2284.76
FTSE 250 ex Inv Tr	5358.2	-0.1	5365.9	5488.6	4588.4	3.20	2.71	2.05	19.00	90.72	2314.18
FTSE 350	2700.0	-0.6	2716.1	2769.5	2432.3	3.00	2.54	1.95	21.36	43.21	2418.95
FTSE 350 ex Inv Tr	2704.5	-0.6	2720.5	2772.5	2433.7	3.02	2.56	1.96	21.13	43.51	1242.77
FTSE 350 Higher Yield	2656.0	-0.4	2667.1	2699.8	2310.0	4.00	3.38	1.67	16.70	56.18	2036.31
FTSE 350 Lower Yield	2752.8	-0.7	2773.3	2842.7	2553.7	2.18	1.85	2.07	27.73	32.72	2002.32
FTSE SmallCap	2413.25	-0.1	2415.15	2457.32	2197.15	3.33	2.71	1.91	19.63	37.79	2106.01
FTSE SmallCap ex Inv Tr	2395.51	+0.1	2393.69	2433.58	2147.41	3.57	2.90	2.00	17.80	39.67	2112.83
FTSE All-Share	2628.50	-0.6	2643.40	2694.05	2369.07	3.02	2.55	1.95	21.26	41.99	2389.93
FTSE All-Share ex Inv Tr	2635.04	-0.6	2649.85	2700.15	2370.41	3.05	2.58	1.96	20.92	42.43	1232.86

■ FTSE Actuaries Industry Sectors

	Aug 6	Day's chge%	Aug 5	Aug 4	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 RESOURCES(22)	3939.81	-3.2	4071.25	4191.86	5074.38	3.90	3.36	1.66	19.32	74.43	1812.52
12 Extractive Industries(6)	2652.28	-0.5	2665.64	2695.32	4315.93	5.26	4.83	2.08	11.56	76.82	837.10
15 Oil, Integrated(4)	4410.21	-3.7	4580.88	4729.98	5407.01	3.86	3.30	1.58	20.44	78.87	2086.83
16 Oil Exploration & Prod(12)	2628.24	-1.7	2674.12	2739.03	3889.67	2.17	1.79	1.74	33.19	33.41	1634.23
20 GEN INDUSTRIALS(216)	1921.60	+0.6	1909.86	1942.44	2026.80	3.78	3.33	2.28	14.52	35.35	1131.69
21 Construction(36)	1366.37	+0.6	1358.87	1382.54	1344.29	3.61	2.93	2.72	12.73	22.87	1221.49
22 Building Matls & Merchs(26)	1583.24	+1.0	1568.10	1593.26	1687.67	4.65	4.05	2.00	13.46	38.74	866.86
23 Chemicals(29)	2260.67	-0.9	2280.66	2326.49	2745.79	4.20	3.90	1.79	16.58	46.37	1159.19

[illegible]

■ Hourly movements

[illegible]

TRADING VOLUME

■ Major Stocks yesterday

[illegible]

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 6 / Sch)

BELGIUM/LUXEMBOURG (Aug 6 / Frs.)

CZECH REP (Aug 6 / Koruna)

DENMARK (Aug 6 / Kr)

FINLAND (Aug 6 / Mkk)

FRANCE (Aug 6 / Frs.)

GERMANY (Aug 6 / Dm.)

GREECE (Aug 6 / Drachma)

ITALY (Aug 6 / Lira)

NETHERLANDS (Aug 6 / Fls.)

NORWAY (Aug 6 / Krone)

POLAND (Aug 6 / Zloty)

PORTUGAL (Aug 6 / Escudo)

SPAIN (Aug 6 / Pts.)

SWEDEN (Aug 6 / Kronor)

SWITZERLAND (Aug 6 / Frs.)

TURKEY (Aug 6 / TL Lira)

PACIFIC

JAPAN (Aug 6 / Yen)

HONG KONG (Aug 6 / H.K.$)

INDONESIA (Aug 6 / Rupiah)

MALAYSIA (Aug 6 / MYR)

NEW ZEALAND (Aug 6 / NZ $)

SINGAPORE (Aug 6 / S$)

SOUTH KOREA (Aug 6 / Won)

TAIWAN (Aug 6 / TW $)

THAILAND (Aug 6 / Baht)

AUSTRALIA (Aug 6 / Aust$)

AFRICA

SOUTH AFRICA (Aug 6 / Rand)

AMERICAS

CANADA

TORONTO (Aug 6 / Can $) 3:30 pm

MONTREAL (Aug 6 / Can $) 3:30 pm

MEXICO (Aug 6 / Peso) 12:30 pm

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY AUGUST 5 1998 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY AUGUST 4 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (73)	185.49	-0.7	168.06	169.09	170.87	202.84	-1.2	3.67	186.75	169.53	171.28	173.13	205.32	238.24	173.27	236.09
Austria (22)	228.56	-1.5	207.07	208.35	210.54	210.41	-2.1	1.61	232.01	210.61	212.78	215.08	214.94	253.73	181.60	197.11
Belgium (22)	385.69	-1.0	349.44	351.58	355.29	347.55	-1.6	1.97	389.45	353.53	357.14	361.04	353.24	398.52	234.33	238.72
Brazil (26)	211.37	-0.7	191.50	192.68	194.71	454.24	-0.8	2.54	212.93	193.29	195.26	197.40	457.00	308.59	184.94	285.82
Canada (119)	208.13	0.7	188.57	189.72	191.73	228.23	0.7	1.78	206.78	187.69	189.60	191.66	226.58	248.78	199.10	223.68
Denmark (34)	486.15	-2.8	440.45	443.16	447.83	446.52	-3.4	1.45	500.20	454.06	458.70	463.72	462.06	537.39	375.32	381.59
Finland (28)	470.10	-2.7	425.91	428.53	433.05	531.55	-3.3	1.73	483.28	438.72	443.19	448.03	549.87	506.46	287.59	304.38
France (78)	314.81	-1.4	285.04	286.79	289.81	293.18	-2.0	2.15	319.10	289.67	292.62	295.82	299.27	345.18	217.48	223.01
Germany (56)	296.42	-1.5	268.56	270.21	273.06	273.06	-2.1	1.17	300.91	273.16	275.94	278.96	278.96	325.61	204.89	226.73
Greece (37)	320.98	-2.5	290.79	292.58	295.66	677.16	-3.2	1.39	329.31	298.94	301.99	305.29	699.55	383.20	260.24	-
Hong Kong, China (66)	220.24	-0.2	199.54	200.77	202.89	219.12	-0.2	7.13	220.77	200.41	202.45	204.66	219.62	580.03	218.29	567.06
Indonesia (27)	32.40	-4.0	29.35	29.53	29.84	253.40	-5.5	2.67	33.75	30.64	30.95	31.29	268.11	225.74	23.58	225.74
Ireland (16)	507.11	-0.7	459.44	462.27	467.14	503.75	-1.3	1.88	510.88	463.78	468.49	473.61	510.59	580.44	359.80	368.28
Italy (54)	167.60	-1.5	151.84	152.77	154.39	218.82	-2.1	1.34	170.09	154.40	155.98	157.68	223.46	184.49	95.46	95.46
Japan (480)	88.98	0.8	80.61	81.11	81.97	81.11	0.2	0.97	88.31	80.16	80.98	81.87	80.98	134.46	83.04	128.98
Malaysia (106)	99.84	-1.7	90.45	91.01	91.97	159.18	-1.9	3.94	101.52	92.16	93.10	94.11	162.27	438.85	89.84	436.13
Mexico (29)	1284.33	-0.7	1163.61	1170.78	1183.11	12847.85	-0.1	2.15	1293.25	1173.99	1185.98	1198.92	12866.36	1901.98	1278.19	1849.20
Netherlands (27)	505.82	-1.7	458.28	461.09	465.95	461.31	-2.3	1.89	514.50	467.05	471.81	476.97	472.18	562.38	385.56	420.80
New Zealand (14)	61.68	-1.2	55.88	56.22	56.82	63.30	-1.9	4.81	62.43	56.67	57.25	57.87	64.53	95.87	56.33	91.29
Norway (38)	289.58	-1.9	262.36	263.97	266.75	296.87	-2.4	2.10	295.13	267.92	270.65	273.60	304.20	374.64	281.62	319.03
Philippines (22)	63.42	0.8	57.46	57.82	58.43	133.23	0.8	1.28	62.95	57.14	57.73	58.36	132.39	163.54	57.54	150.40
Portugal (18)	271.28	-0.6	245.78	247.29	249.90	336.59	-1.3	0.97	273.03	247.85	250.38	253.11	341.14	299.39	201.25	-
Singapore (42)	140.71	-1.5	127.48	128.27	129.62	111.81	-1.6	2.70	142.81	129.64	130.96	132.39	113.59	370.40	133.81	370.40
South Africa (40)	206.68	-2.5	187.26	188.41	190.39	278.05	-2.9	3.20	211.89	192.35	194.31	196.43	286.44	359.06	206.68	353.92
Spain (31)	395.59	-1.4	358.40	360.60	364.41	450.64	-2.1	1.89	401.00	364.02	367.73	371.75	460.14	417.73	236.28	236.77
Sweden (49)	562.79	-1.8	509.89	513.02	518.44	662.18	-2.4	1.77	573.17	520.32	525.62	531.38	678.39	628.19	439.98	491.75
Switzerland (28)	421.02	-2.1	381.44	383.79	387.84	388.99	-2.7	1.07	430.06	390.40	394.38	398.69	399.79	439.48	295.85	304.27
Thailand (38)	11.75	0.0	10.65	10.72	10.83	18.66	0.3	4.93	11.75	10.67	10.78	10.89	18.60	60.38	11.59	60.38
United Kingdom (211)	359.80	-1.7	325.98	327.98	331.44	325.98	-1.9	3.04	366.08	332.30	335.69	339.36	332.30	401.84	303.41	315.87
USA (827)	441.86	0.8	400.32	402.78	407.03	441.86	0.8	1.47	438.58	398.14	402.19	406.59	438.58	485.88	358.31	388.62
Americas (801)	396.96	0.7	359.65	361.86	365.68	336.28	0.7	1.49	394.12	357.78	361.43	365.38	333.85	437.03	326.79	353.51
Europe (749)	353.54	-1.8	320.31	322.28	325.68	333.79	-2.1	2.03	359.48	326.33	329.65	333.26	341.08	386.24	265.25	274.05
Eurobloc (352)	103.74	-1.5	93.98	94.56	95.56	103.35	-2.1	1.65	105.29	95.58	96.55	97.61	105.67	113.28	99.54	-
Nordic (149)	503.14	-2.2	455.84	458.64	463.48	513.86	-2.7	1.73	514.24	466.81	471.57	476.73	528.30	555.97	388.51	418.69
Pacific Basin (668)	93.87	0.5	85.05	85.57	86.48	85.50	-0.1	1.74	93.43	84.82	85.68	86.62	85.56	152.78	88.45	148.27
Euro-Pacific (1617)	202.09	-1.1	183.10	184.22	186.16	179.06	-1.6	1.95	204.34	185.49	187.38	189.43	181.96	220.19	172.03	200.78
North America (746)	426.47	0.7	386.39	388.76	392.88	427.94	0.6	1.48	423.32	384.29	388.20	392.45	424.17	469.20	349.06	376.53
Europe Ex. UK (538)	337.34	-1.8	305.63	307.51	310.75	326.98	-2.2	1.57	342.91	311.29	314.46	317.90	334.50	366.32	238.79	245.54
Europe Ex. Eurobloc (397)	95.09	-1.8	86.15	86.68	87.59	96.44	-2.2	2.44	96.87	87.94	88.83	89.80	98.58	103.93	94.53	-
Europe Ex. UK Ex. Eurobloc (186)	102.30	-2.1	92.89	93.28	94.24	103.04	-2.7	1.32	104.49	94.85	95.82	96.86	105.88	108.21	95.88	-
Pacific Ex. Japan (388)	146.53	-0.7	132.75	133.57	134.98	154.08	-1.0	4.85	147.52	133.91	135.28	136.76	155.60	315.31	142.99	312.63
World Ex. Eurobloc (2106)	94.09	0.2	85.24	85.77	86.67	95.70	0.0	1.72	93.94	85.28	86.15	87.09	95.69	103.16	93.25	-
World Ex. US (1631)	202.88	-1.0	183.81	184.94	186.89	184.29	-1.5	1.97	204.99	186.09	187.98	190.04	187.09	221.91	175.30	205.35
World Ex. UK (2247)	272.32	0.1	246.72	248.24	250.86	251.81	-0.2	1.55	272.16	247.06	249.58	252.31	252.25	298.02	234.24	258.29
World Ex. Japan (1978)	374.97	-0.2	339.73	341.81	345.42	369.82	-0.4	1.79	375.81	341.16	344.83	348.40	371.36	411.23	309.39	331.84
The World Index (2458)	279.90	-0.1	253.50	255.05	257.74	258.62	-0.4	1.71	280.16	254.33	256.92	259.73	259.55	306.56	241.30	263.27

Emerging markets: IFC investable indices

Dollar terms

Aug 5 Market		Day's chg %	% Chg since 31/12/97
Latin America			
Argentina	913.58	-0.6	-18.1
Brazil	419.12	-1.0	-13.2
Chile	514.10	-1.1	-20.0
Colombia[1]	517.23	+0.8	-37.3
Mexico	557.13	-0.8	-28.3
Peru[2]	190.47	-0.9	-14.0
Venezuela[3]	428.02	-3.3	-53.2
East Asia			
China[4]	26.73	+1.8	-51.7
Korea[5]	28.04	-5.2	+16.7
Philippines	88.40	+0.4	-21.6
Taiwan, China[6]	117.95	-3.2	-18.7
South Asia			
India[7]	66.50	+0.6	-20.2
Indonesia[8]	15.74	-3.4	-53.2
Malaysia	53.20	-1.6	-38.4
Pakistan[9]	92.52	+3.0	-62.7
Sri Lanka[10]	84.56	-0.4	-27.3
Thailand	39.32	-2.1	-18.4
Europe/Mideast/Africa			
Czech Rep	58.46	-2.6	+3.2
Egypt	74.13	-0.3	-20.5
Greece	572.08	-2.7	+76.6
Hungary[4]	327.01	-1.4	+3.9
Israel	119.98	-2.2	-1.4
Jordan	231.18	-0.1	+9.9
Morocco	169.26	+1.2	+29.9
Poland[12]	700.94	-1.8	+17.5
Portugal	304.69	-0.8	+44.3
Russia	54.12	-4.0	-63.6
S Africa[13]	147.94	-2.6	-17.7
Slovakia	63.55	+3.2	-35.9
Turkey[14]	247.28	-3.7	-20.8
Zimbabwe[15]	187.25	+0.1	-25.6
Regions			
Composite	201.51	-1.6	-18.1
Latin America	526.74	-0.9	-22.3
Asia	81.26	-2.6	-24.6
EMEA	135.27	-2.2	-8.4
Europe	180.31	-2.4	-4.4
Easte Europe	87.23	-2.4	-37.9
ME & Africa	62.55	-2.1	-12.6

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 29 1995; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1995; (16) July 2 1993.

Latest indices were unavailable for this edition.

4 pm close August 6

NEW YORK STOCK EXCHANGE PRICES

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Telekurs, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

¶ Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Aug 5	Aug 4	Aug 3	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	8546.78	8487.31	8786.74	9337.97 (17/7)	7580.42 (9/1)	9337.97 (17/7/98)	41.22 (8/7/32)
Home Bonds	105.17	105.04	105.30	105.48 (15/1)	104.42 (11/5)	105.48 (15/1/98)	54.99 (1/10/81)
Transport	3095.58	3087.28	3198.05	3686.02 (16/4)	3087.28 (4/8)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	273.82	273.74	280.33	295.40 (6/7)	262.88 (9/1)	295.40 (6/7/98)	16.53 (8/7/32)

DJ Ind. Day's high 8641.79 (8888.60) Low 8316.10 (8483.37) (Theoretical) Day's high 8674.85 (8857.03) Low 8381.92 (8487.31) (Actual)

Standard and Poors	Aug 5	Aug 4	Aug 3	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	1081.43	1072.12	1112.44	1186.75 (17/7)	927.69 (9/1)	1186.75 (17/7/98)	4.40 (1/6/32)
Industrials♥	1265.58	1255.20	1299.08	1380.48 (17/7)	1077.40 (9/1)	1380.48 (17/7/98)	3.52 (30/6/32)
Financial♥	129.72	128.17	134.81	147.88 (14/7)	110.55 (9/1)	147.88 (14/7/98)	7.73 (4/9/74)
Others							
NYSE Comp.	544.01	541.36	560.88	600.75 (17/7)	487.47 (9/1)	600.75 (17/7/98)	4.64 (25/4/42)
Amex Comp	672.07	678.76	687.87	753.87 (22/4)	646.41 (12/1)	753.87 (22/4/98)	534.20 (16/7/98)
NASDAQ Cmp	1788.20	1785.84	1851.10	2014.25 (20/7)	1503.22 (9/1)	2014.25 (20/7/98)	54.87 (3/10/74)
Russell 2000	398.88	401.83	413.36	491.41 (21/4)	398.88 (5/8)	491.41 (21/4/98)	123.38 (7/12/93)

US DATA

MARKET ACTIVITY

Volume (million)	Aug 5	Aug 4	Aug 3
NYSE	860.210	882.678	820.400
Amex	46.691	42.280	28.362
NASDAQ	910.410	928.257	858.887

NYSE	Aug 5	Aug 4	Aug 3
Issues Traded	3,588	3,547	3,544
Rises	1,259	508	863
Falls	1,820	2,624	2,099
Unchanged	489	416	402
New Highs	10	17	26
New Lows	382	383	382

NYSE TRADING ACTIVITY

Volume : 860,210,000

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Compaq	11,385,800	31⅛	-⅜
Amer Online	11,301,800	107½	-3¼
Alldsignal	8,787,500	37	-3¼
AMP	8,250,200	38¼	-4½
Lucent Tch	7,238,400	80¼	+3¼
Ph Morris	7,058,900	43½	+⅞
GEC	8,405,100	86¾	+1⅛
Mrl Lynch	8,188,400	87½	-3
CBS Corp	6,105,000	31⅞	-2
Comp Ass	5,888,900	33¾	+1½

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Valley Int	14¾	+2¼	+17.7
Unisys	25¾	+2⅝	+12.8
Autodesk	47¼	+3¼	+6.9
Aetna	69⅞	+4¼	+6.8
Downs			
Safe Int	17¾	-9¾	-35.0
Provens	28¼	-5¼	-16.5
Sterling Com	34¼	-4¾	-12.2
McKesson	77⅞	-2⅞	-3.6

NASDAQ TRADING ACTIVITY

Volume : 910,410,000

ACTIVE STOCKS

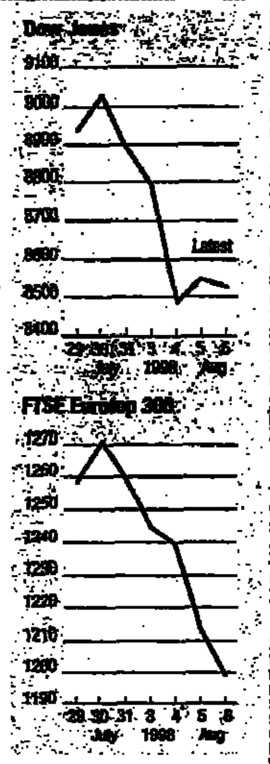
[illegible]

BIGGEST MOVERS

[illegible]

RATIOS

[illegible]



JAPAN

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

UK

[illegible]

INDEX FUTURES

[illegible]

WORLD MARKETS AT A GLANCE

[illegible]

THE NASDAQ STOCK MARKET

4 pm close August 6

[illegible]

THE NASDAQ STOCK MARKET

[illegible]

AMEX PRICES

4 pm close August 6

[illegible]

EASDAQ

[illegible]

STOCK MARKETS

Caution prevails after Wall Street plunge

WORLD OVERVIEW

Stock markets remained in subdued mood as investors continued to absorb the impact of Tuesday's sharp fall on Wall Street, *writes Philip Coggan.*

The New York market has not been as quick to rebound as it has after previous setbacks over recent years.

The Dow Jones Industrial Average quickly shed another 50 points at the start of trading yesterday, although it had regained the lost ground by the time European bourses closed.

While several bulls stuck their heads over the parapet to support the US market on Wednesday, many analysts remained cautious.

The model used by Ed Yardeni, US economist at Deutsche Bank Securities, shows that the S & P 500 index was overvalued by 12.8 per cent, even after Tuesday's big decline in the US market.

If earnings fall next year, as Deutsche expects, the market looks 25 per cent overvalued.

Bill O'Neill, international investment strategist at HSBC Investment Bank, said that he expects the US economy to slow down in the second half of 1998, and corporate earnings expectations to be revised down. But the effect should be offset by an improved interest rate outlook. As a consequence, Wall Street should be rather dull.

Today's non-farm payroll numbers in the US will provide another test of the market's nerve. The consensus forecast is for a rise in employment of 100,000.

There was no cheer for investors from Asia, where the Japanese yen lost some of the ground it gained on Wednesday and the currency speculators gathered menacingly around the Hong Kong dollar once more.

The Hang Seng dropped to its lowest level since January 1995, and most of the region's markets were lower.

In Europe, the Frankfurt market took a 1.5 per cent hit and Amsterdam shed 2 per cent, but the losses were more restrained in Paris and Milan.

Figures from Germany showed that seasonally adjusted unemployment fell by 37,000 in July, indicating that the country's recovery is continuing, although the rate remains above 10 per cent.

BT Alex Brown, which recently warned of a 10 per cent correction in European markets, points out that the FT/S&P Europe index has dropped 8.1 per cent in local currency terms over two weeks.

"Even though valuations have improved, there still remains a generally unrealistic optimism over the strength of continental European earnings recovery. It is therefore too early to be thinking of buying European industrials."

MARKET FOCUS

Giant brought down to size

In the New Zealand stock market, Telecom is regarded as the biggest and the best – but this week has shown it is just as vulnerable as smaller companies to Wall Street, political knocks, and recessionary trends.

Telecom has a commanding presence, making up about 30 per cent of the 40 capital index. However, it is unusually susceptible to fluctuations on Wall Street as 84 per cent of its shareholders live outside New Zealand, many in the US where the stock is actively traded.

This is earning it the distinction of being the country's most volatile stock. Over the past month the price has swung within an arc of around 80 cents. Yesterday, echoing Wall Street, it opened at NZ$8.35, fluctuated widely and closed at NZ$8.15. A fortnight ago it was changing hands at up to NZ$8.84.

New Zealand's finance minister or treasurer, Winston Peters, ensured additional volatility this week after he launched a broadside at the company, threatening "quick action to even up the playing field", which he said favoured Telecom because of its dominance.

While the threats worried some offshore investors, they failed to spark the same concern at home where Mr Peters is regarded as a politician who likes to win headlines. Local investors also tended to dismiss the threats since they appeared to contain a lot of qualifications such as saying that changes "might" be necessary to the Commerce Act to regulate telecommunications.

Importantly, Mr Peters declared his support for "light-handed regulation" in telecommunications. A preliminary report by the Treasury further reinforced the view that while the government may move to tighten some aspects of telecommunications, it would do little to interfere with Telecom or its earnings.

Of greater concern are recessionary trends. The group's first-quarter results, due on August 18, are expected to be unusually sombre for a company which has been announcing one new earnings record after another.

Analysts are forecasting at best a modest improvement in earnings after losses on the closure of its First Media television service. Competition is also forcing cuts in toll rates.

Like other domestically oriented stocks, Telecom's earnings are expected to improve later this year as the economy picks up. A substantial easing in monetary policy by the Reserve Bank has led to a sharp drop in interest rates, and further falls in the cost of money are expected to follow the quarterly economic statement on August 20.

But the New Zealand stock market continues to suffer from Asia's regional problems in spite of good progress by exporters following an effective 20 per cent devaluation of the NZ dollar this year.

Down 1.3 per cent at 2,018.81 yesterday, the benchmark 40 capital index is now 14 per cent under its peaks of late March.

Terry Hall

High-techs and stores give Dow lift

AMERICAS

Investors breathed a sigh of relief as signs of conviction returned to Wall Street yesterday, despite sharp pullbacks in some key sectors, writes John Labate in New York.

Retail and computer-related shares were among the oustanding performers on the upside, helping the general market end higher, with advancing stocks leading decliners by 4 to 3.

"A lot of people came in this morning looking for bargains," said Dan Mathisson, head stock trader at D.E. Shaw Securities in New York.

The Dow Jones Industrial Average closed up 30.90 to 8,577.68, while the broader Standard & Poor's 500 index gained 8.20 to 1,089.63.

Recently battered technology stocks surged higher, bolstered by an especially active semiconductor sector. The Nasdaq composite, which is weighted in technology shares, surged 41.31, a gain of 2.31 per cent, to 1,829.51. Small caps also outperformed, with the Russell 2000 index up 7.92 to 406.61.

Investors were especially keen on semiconductor shares, sending the Philadelphia Stock Exchange's chip index surging almost 4.6 per cent to 263.08. Among the leaders, National Semiconductor soared 16 per cent to $13⅝ and Teradyne gained 10 per cent to $23¾.

There was also plenty of gloom, however. In the health sector, shares of United Healthcare plunged 29 per cent or $15⅛ to $37⅛ after it reported $900m in special charges. Investors also sold Humana, a proposed merger partner of United. Humana was down $6¾ to $19.

Sunbeam, the troubled consumer products company, tumbled $1 or 12.5 per cent to $7 after it said it would re-state past financial results.

In the Dow, shares of American Express lost $7¾ to $101⅛ afer an executive talked about the negative impact of Asia on the financial services sector.

The retail sector did better. Kmart rose $1⅜ to $17⅞ after the company reported a 5.9 per cent rise in same store sales. CVS, the drug chain, gained $2 to $42¾ after reporting a 10.3 per cent rise in same-store sales.

TORONTO has lost all of the gains it had made this year.

The 300 composite index fell 55.15 or 0.82 per cent to 6,675.83, slightly below the benchmark's 1997 closing level of 6,699.44.

The market's woes were exacerbated by persistently low commodity prices and the continued decline in the Canadian dollar.

The Canadian dollar weakness heightened concerns about higher interest rates, which would make yielding stocks in the utility, bank and pipeline groups less attractive.

Overall, 12 of the market's 14 stock groups fell. Declines almost doubled advances 613 to 348. Trading volume was 80.2m shares, down from 97.7m shares, and value fell to C$1.49bn from C$1.73bn.

Oil and banks weigh on Paris

EUROPE

Shares in **PARIS** turned in a defensive performance and would have ended higher but for marked weakness in the heavyweight oil and banks sectors.

As it was, the CAC 40 index finished a bare 7.81 lower at 3,963.59.

With Royal Dutch confirming what BP had to say about tough industry trading conditions earlier this week, oils tumbled. Total lost FFr23 or 3.5 per cent at FFr626 and Elf Aquitaine FFr22 at FFr711.

Banks took in a FFr27 slide to FFr1,246 at Société Générale and falls of FFr17 or 3.3 per cent to FFr500 at BNP and FFr7 to FFr520 at CCF. Among industrial weak spots, Michelin gave up FFr19.50 at FFr310.

The day's main support came from Renault, which gained FFr8.50 to FFr312 on news of strong first-half sales plus a 6.3 per cent bounce of FFr54 to FFr909 at software leader Cap Gemini and a rise of FFr18.40 to FFr396.50 at France Telecom.

Among lesser caps, Essilor tumbled to FFr2,079 before settling at FFr2,200, off FFr109 or 4.7 per cent following poor results from rival contact lens maker Sola of the US.

AMSTERDAM fell more than 2 per cent after another torrid day for financials and a steep slide by the market's leading heavyweight, Royal Dutch.

Weak second-quarter figures plus a downbeat conference call by Royal Dutch sent analysts back to the drawing board and the talk yesterday afternoon was heavy with rumours about earnings downgrades for the group.

The shares, which saw some of their heaviest volume of the year, ended off Fl 7.80 or 7.8 per cent at Fl 92.10 in 16.4m shares traded. Along with backtracking financials, the performance left the AEX index down 23.85 at 1,162.92.

ABN-Amro shed 90 cents at Fl 48.90 with 8.6m shares traded and Fortis Amev came off Fl 4 or 2.8 per cent at Fl 137.30. Aegon shed Fl 2.10 at Fl 178.40.

Baan gained 60 cents to Fl 78.50 on upbeat contract news. BE Semiconductor fell into loss for the second quarter and dropped Fl 1.20 to Fl 15.20 as a result.

FRANKFURT gave up 86.85 to 5,528.12 on the Xetra Dax index after touching a low of 5,499.44 earlier in the day.

There was a rush of selling in chemical stocks following weaker-than-expected second-quarter results from BASF. These sparked a downgrade from Commerzbank and cast a cloud over the sector as a whole. BASF lost DM3.37 at DM74.50, Bayer came off DM2.10 at DM76.75 and Hoechst retreated DM1.89 at DM78.50.

Siemens shed DM4 at DM121 in spite of an upgrade to "buy" at Dresdner Kleinwort Benson. Adidas fell DM12.60 to DM230 after a downgrade by Merrill Lynch. Financials were among the day's brighter spots, notably Dresdner Bank, which added DM3.90 at DM100.10, and Munich Re, which put on DM5.75 to DM836.

ZURICH lost ground amid nervous trading. Short-term dealing dominated trading and the SMI index lost 97 or 1.2 per cent to 7,846.2.

SGS, which plunged Wednesday on its bearish predictions for the year, lost another SFr120 to SFr2,187. Banking stocks were among the biggest losers. UBS fell SFr18 to SFr602, while CS Group fell SFr9 to SFr349.

Zurich Insurance fell SFr5 to SFr1,104 but saw underlying support on reports that Zurich Re, its London reinsurance arm, was negotiating a management buyout.

MILAN erased earlier gains and closed marginally lower, with the Mibtel index down 79 to 23,528.

Olivetti, the most active issue of the day, rose L34 to L3,929 on continuing rumours that BT or Mannesmann could launch a takeover bid. Foods group Parmalat fell L75 to L3,074 on negative sentiment following share issue news.

BNL was up L1,372 at L57,540 ahead of its shareholders' meeting tomorrow. Banco di Napoli, which is due to merge with BNL, was up L48 at 2,851.

Oil sector uncertainty unsettled Eni which ended off 2.4 per cent at L10,550.

MADRID closed down 13.10 or 1.5 per cent at 883.86 on the general index.

Construction companies Dragados and FCC lost ground after the two groups dissolved their international investment agreement. Dragados fell Pta305 to Pta4,220 and FCC declined Pta270 to Pta7,230.

Telefónica rose Pta10 to Pta7,200, while Endesa added Pta50 to Pta3,165. Repsol lost Pta130 to Pta7,860 and BBV declined Pta85 to Pta2,765.

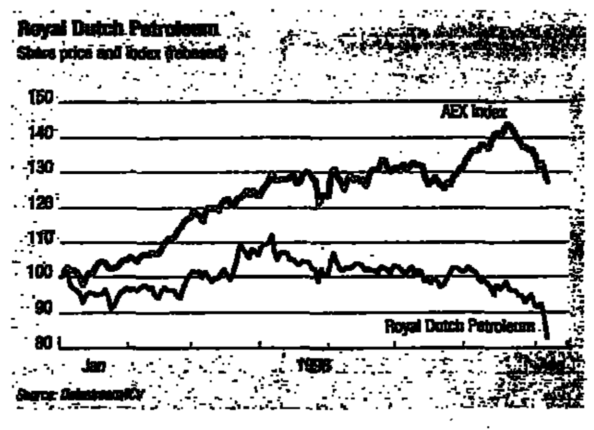
Telepizza was down Pta70 to Pta1,230 in spite of an upgrade by Lehman Brothers.

STOCKHOLM fell 48.04 to 3,493.83 on the general index with the drugs sector leading the way down with a decline of 2.4 per cent. Astra lost SKr5 at SKr137.50, although volumes were described by brokers as very weak.

Ericsson B came off SKr0.50 at SKr214, while medical equipment group Gambro provided something of a hair-raising ride. The shares tumbled to a low of SKr108 before settling at SKr110, down SKr11 or almost 10 per cent. The selling was sparked by Wednesday's weaker-than-expected half-year report.

Written and edited by Jeffrey Brown, Emiko Terazono, Paul Grogan and Peter Hall

Royal Dutch Petroleum
Share price and index (rebased)



Source: Datastream/ICV

Mexico falls below 4,000

MEXICO CITY was hit by uncertainty over US shares and the IPC index fell 55.48 or 1.4 per cent to 3,999.84, its lowest level for the year.

The market's decline through the psychologically important 4,000 level unnerved investors. The weak peso also discouraged equity trading. Telefonos de Mexico fell 0.35 pesos to 20.85 pesos in line with its American Depositary Receipts.

SAO PAULO lost ground in thin trade, with the focus on developments on Wall Street. The Bovespa index fell 124 or 1.3 per cent to 9,704, with activity contrasting sharply with last week's trading following the privatisation of Telebrás.

Telebrás lost R$2.20 or 1.7 per cent to R$124.80, Petrobrás was down R$5.50 or 2.4 per cent to R$224.5 while Vale do Rio Doce retreated R$0.45 to R$22.20.

BUENOS AIRES fell back amid volatile trading and the Merval index fell 7.81 or 1.4 per cent to 544.76.

Steel group Siderca fell 0.055 pesos to 1.665 pesos leading the fall.

Johannesburg edges lower

SOUTH AFRICA

Shares in Johannesburg edged lower as weakness in banks pulled down the all share index 58.6 to 6,721.8.

Banks lost ground on worries over high interest rates and the rise in bad loans, and the financial index fell 1.3 per cent. Industrial stocks were down 0.8 per cent.

Gold shares were higher on hopes that the sector's safe-haven status against currency fluctuations would support the sector's subindex. The gold index gained almost 2 per cent.

Currency worries hit Hong Kong

ASIA PACIFIC

HONG KONG fell to its lowest level since January 1995, hit by currency uncertainty and hardening money market rates.

Three-month interbank rates touched 11 per cent at one point as the Hong Kong dollar weakened along with the yen. Investor sentiment was also hit by renewed earnings worries about Swire Pacific, the latest blue chip to report.

The Hang Seng index closed off 212.07 or 2.8 per cent at 7,254.36 for a two-day decline of 4.3 per cent. Volumes stayed low with the broad uncertainty keeping many investors on the sidelines. Equity turnover subsided to HK$4.7bn.

Swire Pacific came off HK$1.25 or 4.9 per cent to HK$24.40 after reporting a near 40 per cent decline in first-half net profits. HSBC gave up a further HK$3.50 to HK$168. The red-chip index fell 3.7 per cent and H shares lost 4.2 per cent.

TOKYO was led lower by the banking sector which slipped 1.2 per cent, *writes Khozem Merchant in Tokyo.*

The Nikkei 225 Average fell for the second day running, shedding 115.96 or 0.7 per cent to 15,876.22. The benchmark traded between 16,075.72 and 15,834.77.

Banks are likely to figure in prime minister Keizo Obuchi's inaugural speech to parliament today. He is expected to outline the government's strategy to deal with the country's heavily indebted banking sector.

Bank shares came under pressure as speculators targeted the Hong Kong dollar amid speculation that the territory's authorities would abandon its peg to the US dollar. That put more pressure on the yen's value against the US dollar.

The banks were also hit by rumours, notably the suggestion that a leading bank was saddled with big losses made on equity-linked derivatives.

Bank of Tokyo-Mitsubishi tumbled Y61 to Y1,279 while Fuji Bank dropped Y19 to Y478. Sumitomo Bank shed Y46 to Y1,233, Tokai Bank Y30 to Y684 and Daiichi Kangyo Bank Y36 to Y670.

The biggest loser of the day was Nitto Construction, a medium-sized contractor, which lost 13.2 per cent to close at Y230.

Yahagi Corp, a steel and iron concern, fell 11.1 per cent, closing at Y128. Nippon Steel, up Y3 at Y251, was the most heavily traded stock.

The Topix index of all first-section shares fell 6.69 to 1,237.09. Trading volume was again modest with 382m shares changing hands. In Osaka, the OSE index closed 53.14 down at 17,044.36.

MANILA tumbled to a five-year low on currency fears and worries of further deterioration in the banking sector. The composite index fell 43.86 or 2.9 per cent to 1,480.89, the lowest since April 1993.

Blue chips led the declines with Metropolitan Bank and Trust losing 14 pesos or almost 7 per cent to 191 pesos. The losses at Metropolitan dragged the banking index down 3.7 per cent.

Philippine Long Distance Telephone fell 35 pesos to 855 pesos in spite of a 59 per cent jump in first-half profits, while Manila Electric B shares fell 4 pesos to 93.50.

SINGAPORE firmed on capital reduction plans by Singapore Press Holdings. The Straits Times Industrials index rose 13.65 or 1.3 per cent to 1,065.78.

SPH, which announced it would return S$1.22 a share in cash to shareholders, closed up 60 cents or 4.9 per cent to S$12.80.

Investors bought shares in other cash-rich companies. Singapore Telecoms gained 9 cents to S$2.62.

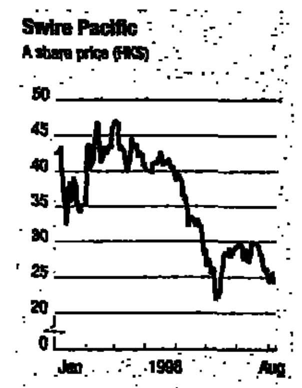
Property and banks were among the decliners with City Development down 8 cents to S$4.46 and United Overseas Bank losing 14 cents to S$4.70.

SYDNEY kept in step with the weak trend across Asia, giving up 37.8 or 1.4 per cent at 2,602.4 on the All Ordinaries index.

Coca-Cola Amatil kicked off the interim reporting season by warning that second-half results would "marginally" fall short of the first. The shares gave up 21 cents at A$5.73. News Corp lost 35 cents to A$11.19.

BHP, a strong market lately on disposal speculation, fell back 50 cents to A$13.40.

Swire Pacific
A share price (HK$)



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